



**Folgate Insurance Company Ltd**

**Solvency and Financial Condition**

**Report**

**As at 31 December 2016**

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## **Solvency Financial Condition Report**

### **Introduction and Summary**

Folgate Insurance Company Limited is a wholly owned subsidiary of Anglo London Limited. Anglo London Limited is an insurance group where the principal and only insurance risk carrying entity is Folgate Insurance Company Limited (FICL) an insurer regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

This is the first Solvency Financial Condition Report (SFCR) for FICL based on the financial position as at 31 December 2016. The purpose of this report is to satisfy the disclosure requirements under the Solvency II Directive.

FICL recommenced active underwriting in September 2015 as a reinsurer following a period (since 30 June 2002) where it was in run off status.

FICL underwrites a reinsurance portfolio of Property, Liability and Professional Indemnity business.

The Company has performed satisfactorily during its first full period since return to active trading and the financial statements for the year ended 31 December 2016 show a positive result for the company. FICL has seen a steady growth in written premiums since recommencing underwriting in September 2015, with a total written premium of £2.6m in 2016 compared to £715k in 2015.

Outward Reinsurance costs have increased by £85k over the past 12 months consistent with the growth in the portfolio.

The investment income in the financial year was £277k, which represents an increase of £279k from the previous year. This was on average invested capital amount of £3.6m.

Gross claims payments in the year for the new active business were £393k compared to nil in 2015, due to the maturing of the business. The claims performance of the legacy run-off portfolio was an improvement of £9k due to a reserve reduction.

The company maintains a separate claims reserve for the run-off portfolio.

Operating costs have been marginally lower than in 2015 by £14k.

The actual investment return achieved for the year, at £277k, was substantially higher than the previous year, largely due to change in the investment strategy and investment manager. More detailed commentary on the investment performance is set out in the investment report below. During the year £1.5 million of additional funds was transferred into the portfolio.

FICL has resources in excess of the regulatory capital requirements as defined under the Solvency II Directive.

Where reference is made to "financial statements", these are audited, statutory accounts.

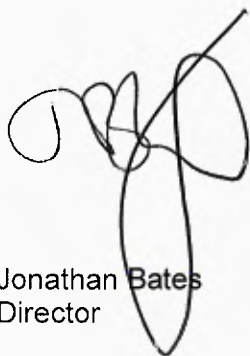
### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report & Accounts, confirm that, to the best of their knowledge: (a) Throughout the financial year in question, the Company have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and (b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continue so to comply, and will continue so to comply in future.

By Order of the Board

A handwritten signature in black ink, appearing to be 'Jonathan Bates', written over a light blue grid background.

Jonathan Bates  
Director

## Business and performance

### Business

FICL is a wholly owned subsidiary of Anglo London Limited. Anglo London Limited is a private company limited by shares and is incorporated in England. The address of its registered office is 80 Leadenhall Street, London, EC3A 3DH. FICL transacts general reinsurance business.



On the 6 August 2015 FICL was approved by the Prudential Regulation Authority ('PRA') to underwrite reinsurance business. On 1 September 2015 the Company commenced underwriting reinsurance business.

The reinsurance business emanates from Tokio Marine Kiln (TMK) who are the primary insurers for the business originally underwritten by the Anglo London Limited's underwriting agency subsidiary, Anglo Pacific Consultants (London) Limited trading as APC Underwriting (APC), and connected Company Heparo BV trading as APC Holland. Since 1 September 2015, the Company has underwritten quota share reinsurance contracts in support of this business. Premiums and claims arising on this business have been categorised as the 'Reinsurance account'.

Prior to 1 September 2015 the Company had written a general insurance account which was placed in run off on the 30 June 2002. Premiums and claims arising on this business have been categorised as the 'Run-off account'.

FICL has been established since 1877 and was placed into runoff in 2002. Anglo London Ltd acquired the Company in August 2014 and on the 6 August 2015 the Company was authorised to underwrite reinsurance business, it commenced underwriting on 1 September 2015.

FICL's administration is handled under a service level agreement by APC.

The Principal activity of the Company is the transaction of reinsurance on general insurance business underwriting a niche portfolio of SME commercial lines business on a quota share basis in the United Kingdom and Holland, with business written in the UK comprising approximately 90% of the overall portfolio of business.

FICL via APC continues to administer the run-off of its business (principally Household, Motor, Commercial and Travel).

### Regulation

FICL is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA is the lead supervisor for the purposes of Solvency II regulation.

Contact details for the PRA and the FCA can be found on their respective websites:

[www.bankofengland.co.uk/pra](http://www.bankofengland.co.uk/pra)

[www.fca.org.uk](http://www.fca.org.uk)

FICL's external auditor is Grant Thornton UK LLP, whose address is 30 Finsbury Square, London, EC2P 2YU.

#### Underwriting performance

Table 1 shows a summary of the technical (underwriting) account.

**Table 1: Summary Profit & Loss – Technical Account- General Business  
for the year ended 31 December 2016 (based on UK GAAP)**

	<b>£'000</b>
Net Premiums Written	2,560
Change in gross provision for unearned	(691)
Reinsurers Share	(375)
Claims Incurred	(1,420)
Net operating & investment expenses	(130)
<b>Balance on the technical account</b>	<b><u>(56)</u></b>

FICL currently purchases market excess of loss (XOL) and catastrophe (CAT) reinsurance. The market excess of loss programme reduces the impact of individual large losses on FICL. FICL retains the first £150k XOL, £200k CAT of every claim (FICL's retention), above which the market excess of loss reinsurance arrangements respond up to the maximum limit of cover. These risk tolerances are set by the Board based on the detailed analysis of risk and geographical catastrophe exposure accumulations.

#### Claims

With FICL recommencing its underwriting activity in September 2015, FICL's claims experience is limited and therefore FICL relies on other collateral information from APC for the purposes of its reserving analysis. The run-off business has a low claims activity as expected.

FICL has access to 15 years of historical data from APC, the Managing General Agency who underwrite the primary insurance through a Lloyds Syndicate and a London Company Insurer. Detailed analysis of this data and the associated claims patterns, has enabled FICL, in association with its actuarial consultants, to develop models and forecasts of future claims experience that are used within the reserving and capital assessment processes of the business.

Claim volumes and incurred costs at this time are in line with the historic development of the business.

#### Investment

At the start of the year investors' concerns focused on the slowing rate of economic growth in China and at the end of the year the focus had moved to the economic impact of the Brexit vote. Over the course of the 12 months sterling depreciated, bond yields fell and stock

markets were broadly flat in local currency terms.

The Brexit vote was a decisive moment in British and European history. It created a new uncertainty for the world economy that caused investors to adjust down sharply their expectations for UK growth and interest rates. So far there appears to be a remarkable level of calm. This is not an economic 'Lehman's moment' when the world stops trading for a period of time, but there are a sufficient number of new 'unknowns' to result in households and businesses being more cautious and foreign investment being delayed, all of which must impact the economic progress. The Bank of England and central banks around the world know this and are ready to counter any negative effects, but there is only so much that can be done.

FICL's portfolio returned +5.7% for the year to 31 December 2016 compared to the benchmark return of +3% net of investment fees.

FICL has an investment strategy which is regularly reviewed by the investment committee.

The aim of the strategy is to invest excess funds in low risk corporate/government bonds and a small proportion of rated equities, without taking undue risk.

At 31 December 2016, FICL's investment portfolio comprised the following asset classes:

**Table 2: FICL's investment portfolio at 31 December 2016**

<b>Asset Class</b>	<b>% of portfolio</b>
Equities	16.57%
Bonds	72.15%
Property	2.31%
Cash	8.97%
	<b><u>100%</u></b>

The above split is based on a look-through analysis of FICL's investment fund holdings and may be different to the presentation in the statutory accounts, which is based on a high-level split between equities and fixed-interest investments.

#### Overall business performance

In the year ended 31 December 2016, FICL produced a value for profit after tax of £220k and the UK GAAP balance sheet assets increased to £6m. Own funds for Solvency II proposes, measured on a best estimate basis, stood at £3.4m.

The overall solvency position of FICL at 31 December 2016 is set out in more detail in Table 10 of this report.

### **System of governance**

#### General information on the system of governance

The FICL Board retains the ultimate responsibility for the governance of itself. The board has in place processes which are proportionate to the nature, scale and complexity of the risks inherent in the business.



## The FICL Board and Committee Structure

Chart 1: Board and Committee Structure



The terms of reference describe the purpose, responsibilities, membership and authority delegated from the Board for each Sub-Committee. All relevant attendees are invited to the committees as determined by the committee for example the Audit Committee will invite external parties such as any Actuarial or Audit Consultants.

The Sub-Committees of the Board have the responsibility for the detailed review of published financial reports, liaison with auditors (responsibility of the audit committee) and scrutiny of the fees paid to the Managers and Directors.

FICL has no employees and is managed on a day to day basis under a Service Level Agreement with APC (the Managers). APC is a private company owned principally by Anglo London Ltd, the same owner of FICL.

### Fit and proper requirements

FICL recognises the value of the fit and proper requirements in that a company is run in a fit and proper manner, by directors and other individuals holding key positions or roles that will be responsible and more likely to be successful.

FICL has a SIMR policy which sets out the procedures to ensure that all those undertaking controlled functions on behalf of FICL are and remain fit and proper to carry out those functions.

These procedures ensure that all those holding controlled functions

- meet the requirements of the Regulators' 'fit and proper' test and follow its principles;
- comply with the Statement of Responsibilities; and
- report anything that could affect their ongoing suitability.

Whilst there is no definition of 'fit and proper' the following factors are taken into account when deciding whether an individual is fit and proper:

- their honesty, integrity and reputation (e.g. treating customers fairly, proper respect of

- legal, regulatory and professional obligations, prudent approach to business);
- their competence and capability (e.g. adherence to the 'four-eyes' principle, having a robust attitude towards supporting a sound corporate governance structure, declaring conflicts of interest, having the appropriate skills, knowledge and experience); and
- their financial acumen (e.g. ensuring the Company has sufficient financial resources to meet commitments on a continuous basis and is robust enough to withstand business risks).

Fitness and propriety checks are made before an individual is appointed to carry out a controlled function and also periodically thereafter.

#### Risk management system including the ORSA

FICL has a fully documented risk management strategy which includes the ORSA policy.

The Risk Register is a central log of all risks identified in the business. It is owned by and managed by the Corporate Governance and Risk Strategy Committee (CGRSC) where this is maintained managed and reviewed. The committee will review this quarterly and make recommendations to the Board for approval.

#### Risk Appetite

Risk appetite is the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

The Board's risk appetite for the areas of risk within the business are stated in the Risk Register. The Board delegates review of these to the CGRSC, who undertake reviews of these at each Committee meeting and record the results in the minutes of such meetings.

#### Risk Tolerances

Risk tolerance is the boundary of risk-taking outside of which the Company is not prepared to venture. Risk tolerances are expressed in absolute terms which the Company will not exceed without Board approval. It is not necessarily appropriate or possible to attribute a risk tolerance to all risks.

In the event that a tolerance has or is near to being exceeded, the CGRSC will alert the Board who will make the necessary decisions to either apply additional mitigating measures, reduce the risks back to that prescribed in the risk appetite or to review the Company's stated risk appetite.

#### Risk Reporting

The CGRSC discusses existing risks and reviews the Risk Register at each meeting. Any new or emerging risks that have been identified by the business or Directors and reported to the CGRSC for consideration and possible inclusion on the risk register, will be escalated to the Board for consideration where deemed necessary.

The CGRSC provides a report to the Board at each meeting highlighting any areas for particular attention. This includes adherence to risk appetite and tolerances.

#### Own Risk Solvency Assessment (ORSA)

FICL is responsible for completing an Own Risk Solvency Assessment (ORSA).

The ORSA's main purpose is to ensure that FICL assess all the risks inherent to the business to determine the corresponding capital needs or identifies other means needed to mitigate these risks.

When determining appropriate stress or scenario testing to be applied, the Board will take the approach of plausible worst case as well as reverse stress testing.

The FICL Board carries out the ORSA at least annually on the basis that solvency needs and capital positions are not volatile and that the business's risk profile is stable. However, it will also carry out additional ORSA's as a result of specific triggers which are set out in the ORSA Policy.

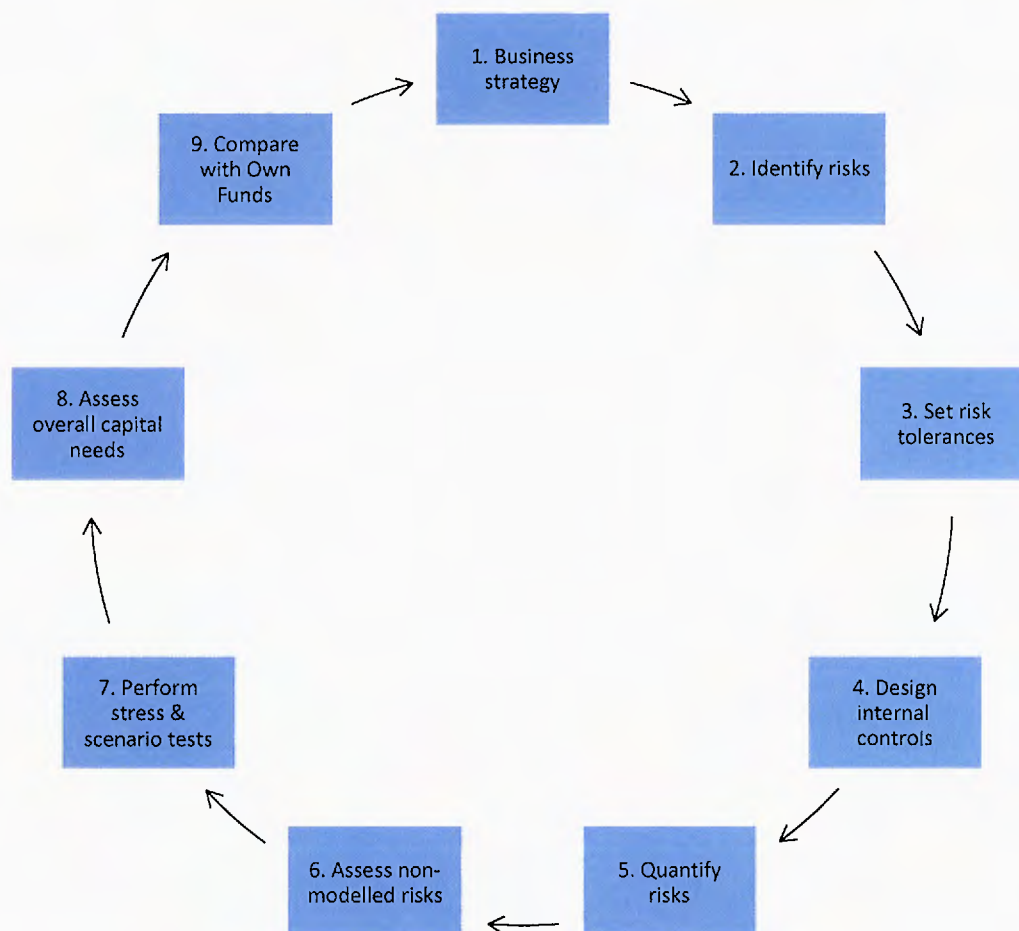
#### ORSA governance

Overall responsibility for the ORSA rests with the Board.

#### The ORSA process

The Policy defines a number of steps that make up the overall ORSA process, which are summarised in Chart 1 below.

Chart 2: Summary of ORSA process



The ORSA includes both the economic capital position of FICL and its regulatory capital position, by reference to the Solvency Capital Requirement (SCR) and the Absolute Minimum Capital Requirement (AMCR), as at 31 December 2016.

FICL's economic capital strategy defines the amount of capital that must be held to cover the risk of losses occurring that exceed FICL's risk appetite. It sets an overall benchmark (the economic capital benchmark or ECB) for the total resources of FICL, defined as an amount sufficient to absorb losses up to the 99.5% level of confidence over a three-year time period. The ORSA capital requirement is calculated using an internal model which FICL has developed specifically for the purposes of Economic Capital Assessment (ECA).

The SCR defines the amount of capital that FICL must hold to satisfy regulatory requirements and is calculated using the Standard Formula. The benchmark set for the SCR is also at the 99.5% level of confidence, but measured over a one-year time period.

The AMCR, which represents the absolute minimum level of capital that FICL must hold to avoid regulatory action, is also measured over a one-year period.

#### Internal control system

FICL has established a system of internal controls, consistent with the requirements of Solvency II, which are used to manage the risks faced by FICL to remain within the

documented risk appetite. These internal controls are documented in FICL's Compliance Monitoring Plan, Risk Register and the Procedures Manual, which sets out the detailed processes for all aspects of the management of FICL on a day to day basis.

#### Compliance function

The Compliance functions aim is to

- ensure the Company's continuing compliance in relation to its regulatory and legal obligations assessing potential impacts of legislative changes and monitoring the appropriateness of the compliance procedures
- ensuring the Company's arrangements in relation to compliance are sufficiently robust, proportionate, efficient and effective
- ensuring the Company's compliance arrangements are subject to review at the appropriate intervals to ensure their ongoing and continual fitness for purpose
- in conjunction with the Board ensure that the organizational structure in place is one that promotes a high standard of business integrity and regulatory compliance.

The CFO is responsible for reporting to the Board on all compliance related matters.

#### Risk function

The Risk Function is responsible for:

- identifying, managing, monitoring and reporting on current and emerging risks;
- setting the overall risk management and strategic framework; and
- monitoring and assisting in the effective operation of FICL's risk- management framework and maintaining an accurate view of FICL's risk profile.

The CFO acts as Chief Risk Officer to FICL and manages the day to day risk monitoring, and is responsible for reporting to the Board.

#### Internal audit function

FICL supports Internal Audit as an independent and objective activity designed to add value and improve the Company's operations.

Internal audit exists to provide the Company with an independent assessment of the quality of internal controls and processes providing recommendations and suggestions for their continual improvement.

FICL outsource the internal audit function to Magi Associates, under an outsourcing agreement.

The Audit Committee reviews the Internal Audit Plan annually revising as appropriately to take account of business priorities and risk areas. The extent and frequency of the audits are risk based depending on various factors including the results from previous audits, risk activity and adequacy of internal control systems.

The Internal Audit Plan is presented to the Board annually for approval.

#### Actuarial function

FICL actuarial function is the responsibility of the CFO. The tasks of the actuarial function for day to day activity including claims reserving and the maintenance of the Company's internal

models are outsourced to APC.

The company has appointed external actuarial consultants James, Brennan & Associates Ltd ("JBA") to provide actuarial and analytical support to the actuarial function with regards to calculation of technical provisions, risk management, reinsurance and underwriting policy under an outsourcing agreement.

#### Outsourcing

FICL is reliant on the outsourcing of its operational day to day functions to APC. APC is an Anglo London Limited Group company and supports FICL under a Service Level Agreement. In addition, FICL utilises the services of specialist companies for Audit and Actuarial activities.

## **Risk profile**

### Non-Life Underwriting risk

FICL writes reinsurance business and takes a prudent approach to non-life underwriting risk prioritising financial security of the company, adherence to regulatory requirements and the protection of its policyholders.

Non-life underwriting risk is identified and assessed using management information including gross written premium, claims reserves, loss ratio, large claims details, market distribution models and risk pricing.

The Underwriting Committee will utilise this information in decision making to monitor, manage and mitigate underwriting risk, ensuring that this is consistent with FICL's risk appetite.

During this reporting period the reinsurance written by FICL emanates from Tokio Marine Kiln, who are the primary insurers of APC's and Heparo BV trading as APC Holland both of whom are underwriting agency subsidiaries of Anglo London Limited.

FICL's main underwriting risks are

- The rating adequacy of the primary risk
- The exposure to catastrophic loss
- Reserving – the risk that claims reserves are not sufficient to meet insurance liabilities

These are mitigated by

- The underwriting committee regularly reviews risk performance data – e.g. loss ratios, claims frequency, average premiums and rate movements
- Natural peril and accumulation exposure monitoring by geographic region
- The underwriting and Claims Committees regularly review claims reserves, large loss claims to ensure they are appropriate
- The company takes a prudent approach towards establishing provisions
- Assessing the data quality and methodology used to calculate reserves
- The engagement of external actuaries to independently review claims reserves at least annually
- Reinsurance is used to mitigate individual large risk exposure, individual large losses and catastrophic events

The volume of business written by FICL has increased significantly compared to that considered as at the last reporting date, at which point only 1 quarter of business had been written. The resulting effect is a significant increase in the level of exposure to non-life underwriting risk, proportionate to the growth of the business.

### Market risk

Market risk refers to the risk of losses due to fluctuations in the level and in the volatility of market prices of assets and liabilities.

All investments are held in British Sterling (GBP) and therefore do not present a currency risk to the company.

The company is exposed to a minimal amount of currency risk in relation to the premiums and claims funds held for a segment of business written in Europe.

FICL has a clear investment strategy which is reviewed regularly and as a minimum quarterly

by the Investment Committee. The investment strategy has a number of objectives – to match investments to the company's claims liabilities, to hold a diversified portfolio of investment types and within that context maximise the return generated at an agreed level of risk.

The risks that the Company faces due to the nature of its investment and liabilities are interest rate risk and equity price risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

FICL invest in funds comprised of a diverse set of underlying investments. For this reason, the actual level of exposure to concentration risk is low. The treatment of concentration risk within the capital calculations is explained in further detail in the "Capital Management" section.

FICL's main source of interest rate risk is the cash flows arising from investments in fixed interest securities, and liability cash flows in the form of claim payments. Interest rate risk is assessed and monitored by the investment committee and considers how the mitigating factors to achieve the necessary objectives could be improved and makes recommendations to the Board. Fixed interest securities comprise 79% (2015: 63%) of the investment portfolio. There have been no material changes to the exposure to interest rate risk over the reporting period.

Overall, the investment policy is consistent with the requirements of the Prudent Person Principle, set out in the Solvency II Directive.

#### Credit risk

Credit risk is the risk that a counterparty fails to meet their contractual obligations as they fall due. Key areas where FICL is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Counterparty risk with respect to investment.

The Company monitors the levels of credit risk it accepts through the monthly financial reporting process which is reviewed at each quarterly Board meeting.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The Underwriting Committee will review the creditworthiness of reinsurers on an annual basis by reviewing their financial strength prior to finalisation of any contract with the objective of using "A" rated reinsurers or better wherever possible. Management processes are embedded in the business to assess the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. Based on the current risk profile of the company, it has assessed that excess of loss reinsurance is the most appropriate form of risk mitigation. The appropriateness of the risk mitigation techniques is regularly reviewed by the underwriting committee and through its reinsurance brokers, the company ensures that adequate risk mitigation is in place.

The table below provides information regarding the credit risk exposure of the Company at 31 December 2016 by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB (including captives) are classified as not rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. We have used AM Best, Fitch, Moody and



S&P to assign the debt.

**Table 3: Credit Exposure as at 31 December 2016**

31 December 2016	AAA	AA	A	BBB	Not Rated	Total
	£000	£000	£000	£000	£000	£000
Other Financial investments – debt securities	-	1,369	-	-	1,976	3,345
Reinsurers' share of claims outstanding	-	-	-	-	-	-
Debtors arising out of reinsurance operations	-	-	632	-	-	632
Cash at bank and in hand	-	-	-	1,161	-	1,161
	-	1,369	632	1,161	1,976	5,138
31 December 2015	AAA	AA	A	BBB	Not Rated	Total
	£000	£000	£000	£000	£000	£000
Other Financial investments – debt securities	-	697	-	-	800	1,494
Reinsurers' share of claims outstanding	-	-	-	-	-	-
Debtors arising out of reinsurance operations	-	-	582	-	-	582
Cash at bank and in hand	-	-	-	1,193	-	1,193
	-	697	582	1,193	800	3,272

Credit risk is also identified, assessed and monitored through the Risk Register on which key market risks are recorded.

Credit risk mitigation measures are reviewed at least annually by the Underwriting Committee and/or Board to ensure they are still effective and appropriate for the Company and the risk environment it operates in.

There have been no material changes to the exposure to credit risk over the reporting period.

### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The projected settlement of these liabilities to claimants and policyholders is reviewed on a regular basis and the Company holds liquid cash deposits to cover these.

### Operational risk

Operational risk is identified, assessed and monitored by the Corporate Governance and Risk Strategy Committee (CGRSC) with oversight from the Board, and recorded on the Risk Register. The CGRSC will review the Risk Register quarterly at the appropriate committee meetings.

Mitigating measures are also recoded on the Risk Register and are monitored on a risk based frequency. Should the risk assessment score increase, the CGRSC will consider if the controls and mitigation for that risk should be improved or augmented and make the necessary recommendations to the board for action.

#### Key Operational Risks are

- **Material Service Provider**  
FICL is reliant on the outsourcing of its operational day to day functions to APC. APC is an Anglo London Limited Group company and supports FICL under a Service Level Agreement. There would be a material impact on the business in the medium to long term if APC could not operate. This risk is mitigated to the extent that APC and FICL are owned and operated under the same group company Anglo London Limited.
- **IT Systems**  
Systems are provided and supported as part of the Material Service Provider outsourcing SLA with APC (as detailed above). Mitigating the risks of failure and dependency is supported within the APC SLA where a Business Continuity Plan (BCP) has been implemented and includes the support of FICL. APC have implemented the necessary stress testing of systems to include the impact of cyber-attacks. FICL Board reviews the BCP plan in association with the SLA documents.
- **Regulatory and legal risk**  
The risk is mitigated using sound corporate governance and internal controls, with a strong compliance structure. Controls are monitored regularly through the Compliance and Conduct Committee.
- **Reputation risk**  
Maintaining the position of FICL as a partner of choice the delivery of good customer service and claims experience. FICL mitigates the risk by ensuring that all parties are regulated by the appropriate body, the monitoring of any complaint and implementing any changes that maybe required to processes and controls either within its own company or other service and business providers.  
Whilst FICL operates as a reinsurer for the reporting period, it still manages a run-off portfolio for business written prior to June 2002. This is monitored and reported on separately to the Board via the Underwriting, Claims and Compliance and Conduct Committees on any activity or complaints that may arise.

### Other Material Risks

The UK voted to leave the EU in the referendum which took place on the 23<sup>rd</sup> June 2016. The terms of the exit and arrangements for continued trade with the EU are not known at this stage.

The impact to FICL is minimal at this stage based on the information available. The Board continue to review the possible implications of Brexit as and when additional information becomes available.

#### Stress and sensitivity tests

FICL work with external actuaries and has developed a suite of stress and sensitivity tests, including reverse stress tests, which are used to measure the robustness of FICL's capital position.

## Valuation of assets and liabilities for solvency purposes

### Assets

Table 4 sets out the value of FICL's assets at 31 December 2016.

**Table 4: Valuation of FICL's assets**

	<b>Assets per GAAP £'000</b>	<b>Assets per Solvency II £'000</b>
Financial investments	4,220	4,220
<i>Bonds</i>	771	771
<i>Collective Investment Undertakings</i>	3,449	3,449
Insurance Receivable	632	632
Reinsurers' Share of Technical Provisions	0	(187)
Deferred Tax Asset	7	0
Cash	1,161	1,161
Other assets	11	11
<b>Total assets</b>	<b><u>6,031</u></b>	<b><u>5,837</u></b>

FICL's investments are valued for Solvency II purposes on the same basis as the annual financial statements, which follow UK GAAP. All of FICL's investments are traded on mainstream exchanges. All assets are valued on a market bases using the market value as at 31<sup>st</sup> December 2016. The market value was provided by Coutts in their role as asset manager. No assumptions were made in carrying out this valuation. The difference in valuation between GAAP and Solvency II relates to:

- Reinsurers' Share of Technical Provisions: For FICL, this is a net liability and represents a specific provision in respect of the minimum reinsurance premiums payable for the 2017 year.
- Deferred Tax Asset: Minor change arising from changes in valuation basis between GAAP and Solvency II
- The financial investments have been divided into "Bonds" and "Collective Investment Undertakings" for a more detailed assessment.

All other assets are valued for Solvency II purposes on the same basis as the financial statements.

There were no changes to any of the recognition criteria or valuation methods during the year.

Neither the matching adjustment nor the volatility adjustment were used during this assessment.

Neither the transitional deduction nor the transitional risk-free interest rate term-structure were applied.

### Technical provisions (TP)

At 31 December 2016, FICL held technical provisions, valued for Solvency II purposes, of

£2.37 million.

Table 5 shows the analysis of these provisions between best estimate and risk margin.

**Table 5: Analysis of net technical provisions at 31 December 2016**

	Technical provisions per GAAP £'000	Technical provisions per Solvency II £'000
Best Estimate	2,779	2,311
Risk margin	0	249
<b>Total</b>	<b>2,779</b>	<b>2,561</b>

FICL values technical provisions in compliance with the Solvency II Directive.

The table below breaks down the technical provisions by Solvency II segmentation.

**Table 6: Breakdown of net technical provisions at 31 December 2016**

	Fire and other damage to property insurance £'000	General Liability Insurance £'000	Total £'000
Gross Premium Provision	354	297	651
Recoverables from Reinsurance	(109)	(78)	(187)
Net Premium Provision	463	375	838
Net Claims Provision	567	907	1,474
<b>Total Best Estimate – Gross</b>	<b>920</b>	<b>1,204</b>	<b>2,124</b>
<b>Total Best Estimate – Net</b>	<b>1,029</b>	<b>1,282</b>	<b>2,311</b>
<b>Risk Margin</b>	<b>105</b>	<b>144</b>	<b>249</b>
<b>Total</b>	<b>1,134</b>	<b>1,426</b>	<b>2,561</b>

#### Actuarial reserving

The ultimate responsibility for setting Technical provisions lies with the Board. The Company engages external actuarial consultants JBA to perform a full actuarial study of the reserves at year-end. Based on the recommendations made by the external actuaries, the company makes claims provisions in its year-end accounts.

The actuarial projections are carried out using standard actuarial techniques the chain ladder and Bornhuetter-Ferguson methods. Expert judgement is used within the reserving process, in

particular to set the a-priori loss ratios for each policy year, to select the claims development patterns and to identify the need for tail factors.

FICL has only written business since the last quarter of 2015 and therefore relies on data from its cedant TMK in order to perform its actuarial analysis. However, the nature of the quota share arrangement between FICL and TMK means that the claims experience at the direct insurer level, which consists of more than 15 years of data, could be used to derive the reserving development patterns. Given that the business written has been stable and there have been no material changes in the way claims are handled, the application of these reserving methodologies are considered to be appropriate.

The reserving exercise was carried out in such a way as to present an undiscounted "actuarial best estimate". An assessment of the variability of this estimate was also carried out. The coefficient of variation was calculated as 12% of the expected value of the ultimate loss ratio (ratio of incurred claims to earned premium) at an overall business portfolio level.

The actuarial reserving includes an explicit IBNR provision (expressed as a % of written premium) as a latency loading in respect of the EL and PL portfolios. This additional provision is made to allow for the long-tailed nature of the business and the potential for future latent claims.

There are no other reinsurance recoveries expected on the claims reserves.

#### Solvency II Technical Provisions (TP) methodology

The calculation of technical provisions under Solvency II is based on discounted cash-flows with respect to premium provisions and claims provisions. The following financial items are taken into consideration for calculating the TPs:

- Claims provisions – Gross and RI
  - Best Estimate
  - Expense provision
  - Events Not in Data(ENIDs)
  - RI Bad Debt adjustment
- Premium provisions – Gross and RI
  - Best Estimate
  - Unincepted, legally obliged business
  - RI Bad Debt adjustment
- Risk Margin

The conversion of the Technical provisions from the statutory accounting basis to Solvency II basis considers the adjustments set out below. These are described at a high level, as there is no difference in the treatment of technical provisions between different classes of business. For each section, the overall quantitative impact is provided.

- **Gross claims provisions** – Solvency II requires technical provisions to be reserved on a best estimate basis with no implicit margins. The company considers its statutory reserves to be on a best estimate basis and therefore no adjustments are necessary.

The latency loading within the statutory reserves is considered to be adequate for ENIDS provisions required under Solvency II.

No explicit claims-handling provision or other run-off expense provision is held. This is because the contractual arrangements between APC, Kiln and FICL's reinsurance of TMK are such that APC is obligated to handle all claims on behalf of TMK, and by

extension those of FICL, to expiry.

Impact of Change: -£19k

- **Gross Premium provisions** – For calculating premium provisions, a loss ratio is applied to the unearned premium reserve on the statutory accounting basis to reflect the expected claims outgo on the UPR.

Impact of Change: -£629k

- **Reinsurer's share of Technical Provisions** – There are no anticipated recoveries on the claims provisions and therefore there is no reinsurance bad debt provision necessary. With regards to the premium provisions, specific provision is made for future reinsurance premium payable in respect of the renewal of reinsurance cover for the 2017 calendar year. A judgemental recovery rate of 25% is assumed on this premium.

Impact of Change: -£187k

- **Cash-flows and Discounting** – The claims cash-flow patterns are derived from the actuarial reserving analysis and the provisions on the Solvency II balance sheet are held on a discounted basis. The discount rate used is the prescribed risk-free rate. Given the short-tailed nature of the portfolio, the overall discounting credit is minimal.

Impact of Change: -£7k

- **Risk Margin**

An additional risk margin is calculated in line with the methodology described within the directive. This involves assuming a wind-up basis where FICL is taken over by another (re)insurance undertaking, which:

- Does not assume any new reinsurance obligations
- Selects assets with the aim of minimising market risk

The risk margin represents the return that would be expected by the undertaking in order support the business with capital equal to the regulatory requirement, the SCR, for the duration of the run-off of the portfolio.

For the first time period, market risk is set to 0 under the assumption that all investments are made in risk-free government bonds. No further business is assumed to be written.

A prescribed simplification is used to calculate the SCR for future time-periods, which is based on the SCR reducing in line with the Technical provisions.

The cost-of-capital rate of 6% is applied to the calculated future SCRs and discounted using the risk-free rate to calculate the risk margin.

Impact of Change: £249k

The table below shows the impact of the above major changes on the eligibly GAAP Assets vs. Solvency II Own Funds

**Table 7: UK GAAP Assets vs Solvency II Own Funds**

	£ 000's
<b>TOTAL AVAILABLE CAPITAL GAAP Q4 2016</b>	3,202
<u>Solvency II Adjustments</u>	
Assets	
RI Technical Provisions	-187
Technical Provisions	
Increase Gross TP	656
Decrease Risk Margin	-249
Increase Deferred Tax Liability	44
<b>Excess of Assets over Liabilities Solvency II</b>	<b>3,377</b>

Data adjustments and recommendations

There were no data deficiencies for which an adjustment was necessary.

Changes since the last reporting period

This is the first reporting period, so we have not included a description of the change in Technical Provisions since the last reporting period.

Other liabilities

Table 8 sets out the value of FICL's other liabilities at 31 December 2016.

**Table 8: Valuation of FICL's other liabilities**

	Liabilities per GAAP £'000	Liabilities per Solvency II £'000
Other creditors	49	49
Reinsurance creditors	0	0
<b>Other liabilities</b>	<b>49</b>	<b>49</b>

The company's other liabilities are recognised and valued for Solvency II purposes on the same basis as the annual financial statements, which are based on UK GAAP.

Off-Balance Sheet Items

FICL does not have any off-balance sheet items.

Alternative methods of valuation



FICL does not use any alternative valuation methods.

### **Capital management**

#### Own funds

FICL has a simple capital structure, with balance sheet reserves comprising a single item: tier 1 capital derived from past underwriting and investment surpluses. There were no restrictions on the availability of FICL's own funds to support the SCR and MCR. Therefore, all own funds are eligible.

At 31 December 2016 and 2015, FICL held the following own funds.

**Table 9: Solvency II Own funds at 31 December 2016**

	<b>31 Dec 2016 £'000</b>	<b>31 Dec 2015 (unaudited) £'000</b>	<b>Movement £'000</b>
Share Capital	3,406	3,406	0
Net Deferred Tax Asset	-37	10	-47
Reconciliation Reserve	8	-433	441
<b>Total adjusted resources</b>	<b>3,377</b>	<b>2,983</b>	<b>394</b>

FICL have a proportionate business plan for the management of their Own Funds, which involves increasing them in line with retained profits. This does not involve any specific time horizon. There were no material changes to Own Funds over the reporting period. In the event that the level of Own Funds drops below an acceptable tolerance level, then additional measures will be taken to raise additional capital and restore adequate levels of buffer over the SCR.

#### Solvency Capital Requirement (SCR)

FICL's SCR was calculated using the Standard Formula. FICL is not using undertaking-specific parameters as described within the directive, and no simplified calculations are used. The final amount of the SCR is subject to supervisory assessment.

The PRA has made use of the option not to require the entities in its jurisdiction to disclose the capital add-on (if any) during a transitional period.

Table 10 shows an analysis of FICL's SCR split by risk modules.

**Table 10: FICL SCR as at 31 December 2016 and Forecast**

**Net capital required (Solvency II best estimate basis)**

<b>Heads of risk</b>	<b>31 Dec 2016 £'000</b>	<b>31 Dec 2017 (unaudited) £'000</b>	<b>31 Dec 2018 (unaudited) £'000</b>
Non-Life Underwriting risk	2,119	2,894	3,390
Market risk	1,639	1,027	1,294
Counterparty default risk	254	281	690
<b>Sum of Risk Components</b>	<b><u>4,013</u></b>	<b><u>4,202</u></b>	<b><u>5,374</u></b>
Diversification Effects	-894	-745	-1,059
BSCR	3,119	3,458	4,315
Operational Risk	108	148	163
Adjustment for effect of deferred	(37)	(121)	(86)
<b>Solvency Capital Requirement</b>	<b>3,190</b>	<b>3,485</b>	<b>4,392</b>
<b>Minimum Capital Requirement</b>	<b>3,242</b>	<b>3,242</b>	<b>3,242</b>

Minimum Capital Requirement (MCR)

The MCR calculation is based on the value of technical provisions, net of risk margin and reinsurance recoveries, and the expected level of net written premiums over the last 12 months, net of reinsurance premiums. This calculation was carried out for Segments 7 and 8 as set out in Annex XIX of the Delegated Acts.

The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at both 31 December 2015 and 31 December 2016, the calculated value of the combined MCR has been lower than the 25% floor of the SCR. In addition, the combined MCR falls below the Absolute Minimum Capital Requirement (AMCR) and therefore the MCR has been set at the AMCR.

The AMCR represents the floor below which FICL's capital requirement cannot fall. FICL's calculated SCR and MCR are both below the AMCR as at 31 December 2016 and therefore FICL's regulatory capital requirement as at year-end 2016 is the AMCR of €3.6 million (£3.2 million).

**Comparison of the SCR with that at 31 December 2015**

Table 11 shows a comparison of the SCR calculated at 31 December 2016 with that at 31 December 2015.

**Table 11: Comparison of SCR as at 31 Dec 2016 with that as at 31 Dec 2015**

<b>Net capital required (Solvency II best estimate basis)</b>		
<b>Heads of risk</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>£'000</b>	<b>(unaudited) £'000</b>
Non-Life Underwriting risk	2,119	880
Market risk	1,639	303
Counterparty default risk	254	128
<b>Sum of Risk Components</b>	<b><u>4,013</u></b>	<b><u>1,311</u></b>
Diversification effects	-894	-240
BSCR	3,119	1,071
Operational Risk	108	15
Adjustment for the effect of deferred taxes	-37	0
<b>Solvency Capital Requirement</b>	<b><u>3,190</u></b>	<b><u>1,086</u></b>

The main changes in the SCR since 31 December 2015 reflect the following factors.

#### *Non-Life Underwriting risk*

The non-life underwriting risk component is made up of four elements; premium risk, reserve risk, lapse risk and catastrophe (CAT) risk. The capital requirement for non-life underwriting risk has increased by £1.24m (unaudited) over the last 12 months.

The main driver behind the increase in the capital requirement is the growth in premium volumes and exposures since the previous reporting date.

The premium risk for Solvency II is driven by the greater of the premiums for the next 12 months vs that for the previous 12 months. Due to the growing portfolio, FICL's premium risk is currently driven by the premium for the next 12 months (i.e 2017). The forecast earned premiums for 2017 are significantly higher than 2016 and consequently the premium risk is higher.

As FICL's portfolio grows, reserve risk forms a more significant part of the underwriting risk.

At the previous year-end, FICL had been actively underwriting for 4 months and the exposures only related to four months of business, whereas as at 31 December, the exposure base represents a full 12 months of business written. This has led to an increase in the CAT Risk.

#### *Market risk*

One of the major drivers of the level of market risk is the concentration risk sub-module of the Standard Formula. Although FICL invests in well-diversified funds, the Standard Formula does not provide credit for the low level of concentration risk inherent in the funds, due to the lack of information available relating to the underlying investments.

A prudent approach has been taken to calculating the concentration risk, by considering bonds which lack the necessary information, to be Type-2 equities relating to one counterparty. This is a punitive treatment and overstates the capital requirement in respect of

these funds.

Going forward, FICL has adopted an investment strategy such that the funds selected can provide the detailed information that is required by the Standard Formula to appropriately reflect the risk in the underlying investments.

#### *Counterparty default risk*

The counterparty default risk capital requirement has seen an increase of £0.125m (unaudited) over the last 12 months. The main driver behind this increase was the growth in the level of Type 1 counterparty exposure relating to cash-holdings and reinsurance risk mitigation.

#### *Operational risk*

The operational risk capital requirement has seen an increase of £0.09m (unaudited) over the last 12 months. Under the Standard Formula, operational risk is calculated as the maximum of a proportion of either the gross technical provisions (excluding risk margin) or gross earned premium (the greater of the amounts in the last 12 or 24 months), subject to a maximum of 30% of the calculated basic SCR.

The increase in capital requirement for operational risk is due to the increase in earned premium over the last 12 months.

#### *FICL's overall capital position*

Table 12 shows FICL's capital position in relation to the SCR and the MCR.

**Table 12: Summary of FICL's capital position at 31 December 2016**

	SCR	MCR
	£'000	£'000
Capital requirement	3,190	3,242
Own funds eligible	—	3,377
<b>Headroom</b>	<b>—</b>	<b>135</b>
Solvency ratio	—	106%

By reference to the SCR and MCR, the Solvency II own funds exceed the capital requirements. By these measures, FICL remains in a satisfactory capital position and the Board will therefore have some flexibility in some of the key decisions to be made over the next 12 months.

#### *Risk Management Areas*

- In order to manage the risk to the business from inadequate pricing and provisioning assumptions, FICL takes a prudent approach, prioritising financial security of the company, adherence to regulatory requirements and the protection of its

policyholders. FICL oversees the claims management procedures outsourced to APC and ensures that provisioning is carried out in a prudent manner. This is set out under Section "Risk Profile – Non-Life Underwriting Risk".

- FICL has actively written business over the last 15 months and therefore does not have access to a full history of data in order to enable it to carry out pricing and provisioning activities using its own data. It therefore relies on its cedant, TMK, and APC, to provide data which covers the past 15 years. This data is considered to be of a suitable quality and appropriate to FICL.
- The company aims to ensure that the investment assets that it holds ensure sufficient matching, in terms of both currency and duration of its liabilities, whilst maintaining sufficient liquidity to ensure timely payment of claims. On its investment portfolio, the company is exposed to systemic risks such as market-wide downturns, however the company aims to manage this risk through ensuring a well-diversified portfolio of well-rated securities.
- FICL does not have any off-balance sheet exposures.
- Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. Based on the current risk profile of the company, it has assessed that excess of loss reinsurance is the most appropriate form of risk mitigation. The appropriateness of the risk mitigation techniques is regularly reviewed by the underwriting committee and through its reinsurance brokers, the company ensures that adequate risk mitigation is in place. This is explained in further detail in the Section "Risk Profile – Credit Risk".

## Appendices

### Folgate Insurance Company Limited – Overview (Governance Map)

Brian Russell BPR01021	<ul style="list-style-type: none"><li>• SIMF1 - Chief Executive Function</li><li>• SIMF20 - Chief Actuary Function</li><li>• Chairman of CGRS Committee</li><li>• Chairman of Investment Committee</li></ul>
Ian Russell IPR01016	<ul style="list-style-type: none"><li>• SIMF22 - Chief Underwriting Officer Function</li><li>• Responsible for Insurance Mediation</li><li>• Chairman of Underwriting Committee</li></ul>
Jon Bates JPB01182	<ul style="list-style-type: none"><li>• SIMF4 - Chief Risk Function</li><li>• SIMF5 - Head of Internal Audit Function</li><li>• CF10- Compliance Oversight</li><li>• Chairman of Claims Committee</li><li>• Chairman Compliance &amp; Conduct Committee</li></ul>
Stephen Wainwright SAW01176	<ul style="list-style-type: none"><li>• SIMF2- Chief Finance Function</li><li>• CF11- Money Laundering Reporting</li><li>• CF28- Systems &amp; Controls</li></ul>
Adrian Harris ACH01051	<ul style="list-style-type: none"><li>• SIMF14 Senior Independent Director Function</li></ul>
Stephen Mathers SDM01057	<ul style="list-style-type: none"><li>• SIMF9 - Chairman Function</li><li>• SIMF11 - Chair of the audit committee</li></ul>
Charles Earle CHE01002	<ul style="list-style-type: none"><li>• SIMF14 Senior Independent Director Function</li><li>• Whistleblower's Champion</li></ul>

## Folgate Insurance Company Limited – Organisation Chart (Governance Map)

### 1. Claims Committee (Meet Quarterly)

#### **Jon Bates (Chairman)**

Ian Russell  
Scott Dickenson  
Zoe Spicer

### 2. Underwriting Committee (Meet Quarterly)

#### **Ian Russell (Chairman)**

Jon Bates  
Robert Henniker Heaton (Kiln)  
Adrian Harris

### 3. Corporate Governance/ ORSA & Risk Strategy Committee (Meet Quarterly)

#### **Brian Russell (Chairman)**

Stephen Wainwright  
Stephen Mathers  
Adrian Harris  
Charles Earle  
Jon Bates  
Ian Russell  
Zoe Spicer

### 4. Compliance & Conduct Committee (Meet Quarterly)

#### **Jon Bates (Chairman)**

Stephen Wainwright  
Jerry Sole  
Clare Bates  
Zoe Spicer

### 5. Investment Committee (Meet Quarterly)

#### **Brian Russell (Chairman)**

Stephen Wainwright  
Stephen Mathers

### 6. Audit Committee- Non-executive (Quarterly)

#### **Stephen Mathers (Chairman)**

Adrian Harris  
Charles Earle

#### **Board Structure**

Stephen Mathers (NE Chairman)  
Brian Russell  
Jon Bates  
Ian Russell  
Stephen Wainwright  
Stephen Mathers (NED)  
Adrian Harris (NED)  
Charles Earle (NED)  
Zoe Spicer (Company Secretar

# Folgate Insurance Company Limited

## Solvency and Financial Condition Report

### Disclosures

31 December

**2016**

(Monetary amounts in GBP thousands)



## General information

Undertaking name	Folgate Insurance Company Limited
Undertaking identification code	213800klcfttghfid336
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,220
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	771
R0140	<i>Government Bonds</i>	771
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	3,449
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	-187
R0280	<i>Non-life and health similar to non-life</i>	-187
R0290	<i>Non-life excluding health</i>	-187
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	632
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,161
R0420	Any other assets, not elsewhere shown	11
R0500	<b>Total assets</b>	<b>5,836</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	2,373
R0520	<i>Technical provisions - non-life (excluding health)</i>	2,373
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	2,124
R0550	<i>Risk margin</i>	249
R0560	<i>Technical provisions - health (similar to non-life)</i>	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
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	37
R0790	Derivatives	0
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	49
R0900	<b>Total liabilities</b>	<b>2,459</b>
R1000	<b>Excess of assets over liabilities</b>	<b>3,377</b>

5.05.01.02  
Premiums, claims and expenses by line of business

Non-life

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of business for: accepted non-proportional reinsurance					Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																	
Gross - Direct Business																	0
R0110 Gross - Proportional reinsurance accepted																	2,560
R0120 Gross - Non-proportional reinsurance accepted							1,430	1,131				0					0
R0130 Reinsurers' share																	0
R0140 Net							1,430	1,131				0					2,560
Premiums earned																	
Gross - Direct Business																	0
R0210 Gross - Proportional reinsurance accepted							1,062	807				0					1,869
R0220 Gross - Non-proportional reinsurance accepted																	0
R0230 Reinsurers' share							205	170									375
R0240 Net							856	637				0					1,493
Claims incurred																	
Gross - Direct Business							5	-14									-9
R0310 Gross - Proportional reinsurance accepted							747	682				0					1,430
R0320 Gross - Non-proportional reinsurance accepted																	0
R0330 Reinsurers' share								1									1
R0340 Net							753	668				0					1,420
Changes in other technical provisions																	
Gross - Direct Business																	0
R0410 Gross - Proportional reinsurance accepted												0					0
R0420 Gross - Non-proportional reinsurance accepted																	0
R0430 Reinsurers' share																	0
R0440 Net							0	0				0					0
R0500 Expenses incurred																	0
R0550 Other expenses							73	57									130
R1200 Total expenses																	130

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Premiums, claims and expenses by country

Non-life

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		NL					
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110 Gross - Direct Business							0
R0120 Gross - Proportional reinsurance accepted	2,325	235					2,560
R0130 Gross - Non-proportional reinsurance accepted							0
R0140 Reinsurers' share							0
R0200 Net	2,325	235	0	0	0	0	2,560
<b>Premiums earned</b>							
R0210 Gross - Direct Business							0
R0220 Gross - Proportional reinsurance accepted	1,720	148					1,869
R0230 Gross - Non-proportional reinsurance accepted							0
R0240 Reinsurers' share	346	30					375
R0300 Net	1,375	119	0	0	0	0	1,493
<b>Claims incurred</b>							
R0310 Gross - Direct Business	-9						-9
R0320 Gross - Proportional reinsurance accepted	1,253	177					1,430
R0330 Gross - Non-proportional reinsurance accepted							0
R0340 Reinsurers' share	1						1
R0400 Net	1,243	177	0	0	0	0	1,420
<b>Changes in other technical provisions</b>							
R0410 Gross - Direct Business							0
R0420 Gross - Proportional reinsurance accepted							0
R0430 Gross - Non-proportional reinsurance accepted							0
R0440 Reinsurers' share							0
R0500 Net	0	0	0	0	0	0	0
<b>Expenses incurred</b>							
R0550	130						130
<b>Other expenses</b>							
<b>Total expenses</b>							130

S.17.01.02  
Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance					Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010							0	0				0					0
R0050																	0
Technical provisions calculated as a sum of BE and RA																	
Best estimate																	
Premium provisions																	
R0060							354	297				0					651
R0140							-109	-78									-187
R0150							463	375				0					838
Claims provisions																	
R0160							567	907				0					1,473
R0240																	0
R0250							567	907				0					1,473
R0260							920	1,204				0					2,124
R0270							1,029	1,282				0					2,311
R0280							105	144									249
Amount of the transitional on Technical Provisions																	
R0290																	0
R0300																	0
R0310																	0
R0320							1,025	1,348				0					2,373
R0330							-109	-78				0					-187
R0340							1,134	1,426				0					2,561

R0010 Technical provisions calculated as a whole  
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

R0050  
Technical provisions calculated as a sum of BE and RA  
Best estimate

R0060 Gross  
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default  
Net Best Estimate of Premium Provisions

R0160 Claims provisions  
Gross  
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default  
Net Best Estimate of Claims Provisions

R0260 Total best estimate - gross  
R0270 Total best estimate - net  
R0280 Risk margin

R0290 Amount of the transitional on Technical Provisions  
Technical Provisions calculated as a whole  
Best estimate  
Risk margin

R0320 Technical provisions - total  
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total  
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

## Non-Life insurance claims

Accident year / underwriting year	Accident Year
Z0010	

[illegible]

## Own Funds

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

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
	CO010	CO020	CO030	CO040	CO050
R0010 Ordinary share capital (gross of own shares)	3,406	3,406		0	
R0030 Share premium account related to ordinary share capital	0	0		0	
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050 Subordinated mutual member accounts	0		0	0	
R0070 Surplus funds	0	0		0	
R0090 Preference shares	0				
R0110 Share premium account related to preference shares	0		0	0	
R0130 Reconciliation reserve	0		0	0	
R0140 Subordinated liabilities	-28	-28			
R0160 An amount equal to the value of net deferred tax assets	0	0	0	0	
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0		0	
R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
R0230 Deductions for participations in financial and credit institutions	0	0	0	0	
R0250 Total basic own funds after deductions	3,377	3,377	0	0	0
Ancillary own funds					
R0300 Unpaid and uncalled ordinary share capital callable on demand	0				
R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320 Unpaid and uncalled preference shares callable on demand	0				
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390 Other ancillary own funds	0				
R0400 Total ancillary own funds	0			0	0
Available and eligible own funds					
R0500 Total available own funds to meet the SCR	3,377	3,377	0	0	0
R0510 Total available own funds to meet the MCR	3,377	3,377	0	0	
R0540 Total eligible own funds to meet the SCR	3,377	3,377	0	0	
R0550 Total eligible own funds to meet the MCR	3,377	3,377	0	0	
SCR					
R0580 MCR	3,190				
R0600 MCR	3,242				
R0620 Ratio of Eligible own funds to SCR	105.87%				
R0640 Ratio of Eligible own funds to MCR	104.18%				
Reconciliation reserve					
R0700 Excess of assets over liabilities	3,377				
R0710 Own shares (held directly and indirectly)	0				
R0720 Foreseeable dividends, distributions and charges					
R0730 Other basic own fund items	3,406				
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760 Reconciliation reserve	-28				
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)	0				



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## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0080	C0090
R0010 Market risk	1,639		
R0020 Counterparty default risk	254		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	2,119		
R0060 Diversification	-894		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	3,119		
Calculation of Solvency Capital Requirement	C0100		
R0130 Operational risk	108		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	-37		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	3,190		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	3,190		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		

S.28.01.01

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity****Linear formula component for non-life insurance and reinsurance obligations**R0010 MCR<sub>NI</sub> Result

C0010

446

R0020 Medical expense insurance and proportional reinsurance  
 R0030 Income protection insurance and proportional reinsurance  
 R0040 Workers' compensation insurance and proportional reinsurance  
 R0050 Motor vehicle liability insurance and proportional reinsurance  
 R0060 Other motor insurance and proportional reinsurance  
 R0070 Marine, aviation and transport insurance and proportional reinsurance  
 R0080 Fire and other damage to property insurance and proportional reinsurance  
 R0090 General liability insurance and proportional reinsurance  
 R0100 Credit and suretyship insurance and proportional reinsurance  
 R0110 Legal expenses insurance and proportional reinsurance  
 R0120 Assistance and proportional reinsurance  
 R0130 Miscellaneous financial loss insurance and proportional reinsurance  
 R0140 Non-proportional health reinsurance  
 R0150 Non-proportional casualty reinsurance  
 R0160 Non-proportional marine, aviation and transport reinsurance  
 R0170 Non-proportional property reinsurance

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
0	
0	
0	
0	
0	
0	
1,029	1,224
1,282	960
0	
0	
0	
0	
0	
0	
0	

**Linear formula component for life insurance and reinsurance obligations**R0200 MCR<sub>L</sub> Result

C0040

0

R0210 Obligations with profit participation - guaranteed benefits  
 R0220 Obligations with profit participation - future discretionary benefits  
 R0230 Index-linked and unit-linked insurance obligations  
 R0240 Other life (re)insurance and health (re)insurance obligations  
 R0250 Total capital at risk for all life (re)insurance obligations

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060

**Overall MCR calculation**

R0300 Linear MCR  
 R0310 SCR  
 R0320 MCR cap  
 R0330 MCR floor  
 R0340 Combined MCR  
 R0350 Absolute floor of the MCR  
 R0400 Minimum Capital Requirement

C0070

446  
 3,190  
 1,435  
 797  
 797  
 3,242  
 3,242