COLLINSON

Astrenska Insurance Holdings Limited

and

Astrenska Insurance Limited

Solvency and Financial Condition Report for the year ended 30 April 2022

Contents

KEY ACHIEVEMENTS

Gross Written Premium increased by 77% compared to FY21.

Key distribution partner relationships retained and material new affinity partnerships won.

Successful delivery of 'Insurer Only' strategy.

Implementation of end-to-end automated travel claims journey.

Our DNA

Value propositions

Design products that fulfil customers' needs and align with our strategic affinity distribution partners.

Optimal Balance Sheet

Our active risk management combined with our reinsurance partners support efficient balance sheet management and generate enhanced returns, underpinned by experienced underwriting capability.

Brilliant Customer Experience

Combining seamless digital journeys with human interaction at the most critical times.

Innovation

Continued Investment in high levels of automation to deliver enhanced customer outcomes.

Executive Summary

This is the single Solvency and Financial Condition Report ("SFCR") prepared for both Astrenska Insurance Holdings Limited ("AIHL") and Astrenska Insurance Limited ("AIL" or the "Company"). AIL and AIHL (referred to collectively hereafter as "the Group" and trading as Collinson Insurance) were granted permission by the Prudential Regulation Authority ("PRA") to prepare a single SFCR on 10 December 2020 and this permission remains in force until 30 June 2024.

AIHL is an insurance holding company, being the parent of the wholly owned subsidiary AIL. AIL is the sole PRA regulated entity and the sole trading entity within the Group.

Accordingly, in producing information to meet the individual reporting requirements of the Group and the Company separate disclosures are provided. However, in many cases information about the Group and the Company are materially identical in nature and content and therefore no distinction is drawn between the Group and the Company when providing group information.

Business and Performance

The current financial period of the Group is from 1 May 2021 to 30 April 2022 (FY22). The comparative figures is from incorporation on 1 May 2020 to 30 April 2021 (FY21).

AIL is a specialist insurer focusing on Travel, selectively global International Private Medical Insurance (IPMI) and specialist and ancillary personal lines insurance products distributed via affinity brands. AIL aspires to be the best in understanding customers and growing our clients' revenue and engagement with unique customer propositions, via an agile and nimble culture and leading-edge customer insights. These products are managed via three lines of business within AIL, being Travel, Accident & Health and Multi-lines.

During FY22, the business written has greatly increased through a combination of organic growth via the onboarding of travel insurance schemes previously written in our MGA business and planned overall travel recovery. As well as new growth, driven through a material new Travel affinity partner win and various other new business successes across Accident & Health and Multi-lines line of business's during FY22. The business is now in a position to grow efficiently as a result of previous investments in digitalising and automating the travel insurance customer journey. This continues to offer our customers choice of communication throughout their claims journey and empowering our claims staff to reduce the end-to-end cycle time which lowers cost and increases customer satisfaction.

AIL's insurance product offering is entirely consistent with Collinson's wider travel ecosystem strategy. It focuses not only on developing insurance products and services to meet the needs of customers, providing valuable protection and assistance solutions, but also on building long term relationships with clients to maximise the brand experience of their customers.

Premium growth, along with a focus on containing costs and good underwriting disciplines has delivered improved financial performance. The portfolio is projected to continue to grow as a result of increased business from existing partners and a general recovery in travel activity whilst we:

- Continue to seek new Travel affinity partners.
- Continue to seek new clients that fit our appetite across specialist and ancillary personal lines insurance products.
- Embed and grow IPMI across East Africa with a focus in Kenya where we have established new distributor relationships.

Systems of Governance

The Company maintains a robust system of governance which is commensurate with the nature, scale and complexity of the Company's activities and its risk profile. The Company's Board (The Board) includes all of the Group's directors and provides strategic leadership for the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board believes that a strong system of governance is essential to ensure that the business runs smoothly, aids effective decision making and supports the achievement of the agreed objectives.

The Board is responsible for promoting the long-term success of the Group for the benefit of its shareholders, its staff, its clients, and its customers. It is responsible for setting the strategic aims and risk appetite of the Group and to ensure the business is adequately resourced, managed and controlled as part of an effective system of governance. The Board also sets the values and supports the culture of the Group.

To assist the Board in effectively discharging its duties, it has delegated certain responsibilities to several committees which report regularly to it. The roles of the committees are outlined in Section B. The Board retains ultimate responsibility for the Group's systems of internal control and risk management and their effectiveness. The Group has implemented the "three lines of defence" model and provides a formal and robust structure to enable risks to be identified, assessed, controlled, mitigated, reported and monitored.

Risk Profile

The acceptance of risk is fundamental to the Company and a core element of the overall strategic objectives as an insurance undertaking.

Each of the elements of the Risk Management Framework (see Section C) contribute to the identification, measurement, monitoring, management and reporting of risks and are intended to work as an integrated system, and therefore each should be considered both in terms of the specific function of the respective element and in terms of its function within the overall system. Each element of the system is embedded effectively within the Company and managed by the Risk Management function by appropriate oversight from the Risk and Capital Committee and the Board.

The Company's main risk is in respect of the business of writing insurance as this is the principal activity. The risk under any one insurance contract is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Other risks relate to counterparty default risk in relation to insurance and reinsurance receivables and short-term investments, market risk in relation to liquidity risk and asset-liability management ("ALM") and operational and compliance risks. Covid-19 has posed a significant challenge to the Company and features within the strategic risk radar of the Company as a key risk which is closely monitored.

Valuation for Solvency Purposes

The Group value all assets and liabilities at fair value within the Solvency II balance sheet. Fair value is the value at which knowledgeable and willing parties could exchange assets and liabilities in an arm's length transaction. Fair value is best demonstrated by reference to quoted market prices. The Group's financial statements are prepared in accordance with UK Generally Accepted Accounting Practice ("GAAP").
Section D includes an analysis of the balance sheet movements between the valuation under UK GAAP for the financial statements and the valuation for SII across:

- Assets;
- Liabilities; and
- Technical Provisions (TP's).

The Board believes the Information in Section D represents a basis of valuation which is compliant with Solvency II requirements.

Capital Management

The Group has used the standard formula method to calculate the Solvency Capital Requirement ("SCR"). The capital coverage ratio (being the ratio of eligible own funds to the SCR) for the Group as at 30 April 2022 was 181% (FY21: 157%). Whilst the capital coverage ratio is currently higher than our stated risk appetite, our future projections which are supported by the higher business plan volumes we expect to write, result in the capital coverage ratio returning to being within our stated risk appetite.

The Group's approach to capital management focuses on ensuring there is sufficient capital and reserves to honour its commitments to its customers, to maintain financial strength to support new business growth and to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

Statement of Directors' Responsibilities

Approval by the Board of Directors

Financial year ended 30 April 2022

The Directors are responsible for preparing the SFCR in accordance with the PRA rules and SII regulations. Each of the Directors, whose names and functions are listed in the "Directors' Report" section of the Report and Accounts, certify:

a) that the SFCR has been prepared in all material respects in accordance with the PRA rules and SII regulations, and
b) we are satisfied that:
   I. throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA rules and SII regulations as applicable to the Group, and
   II. it is reasonable to believe that the Group has continued so to comply with the requirements of the PRA rules and SII regulations and will continue so to comply in future.

Approved by the AIL Board and signed on its behalf:

Richard Clarke
European Financial Controller
Astrenska Insurance Holdings Limited
Astrenska Insurance Limited

A. Business and Performance

A.1 Business

A1.1 Name and legal form

Astrenska Insurance Holdings Limited (AIHL) is a limited company incorporated and domiciled in England – Company Registration No: 10330418. AIHL is an insurance holding company that wholly owns Astrenska Insurance Limited (AIL) – Company Registration No: 01708613, a UK general insurance company. The registered address of AIHL and AIL is:

Cutlers Exchange
123 Houndsditch
London
EC3A 7BU

A1.2 Supervisory authority details

AIHL is an insurance holding company for which Group supervision has been agreed with the Prudential Regulatory Authority (PRA) while AIL is jointly regulated by the PRA and Financial Conduct Authority (FCA).

Prudential Regulation Authority
20 Moorgate,
London,
EC2R 6DA
+44 (0)20 7601 4444

Financial Conduct Authority
12 Endeavour Square,
London,
E20 1JN
+44 (0)20 7066 1000

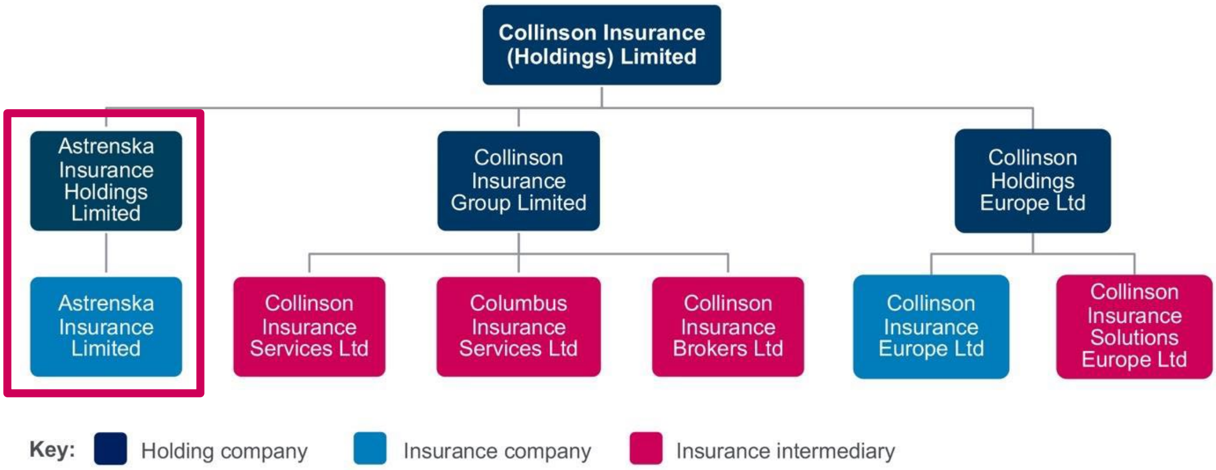
A1.3 External Auditor

The external auditor of AIL is:
Ernst and Young LLP,
1 More London Place,
London
SE1 2AF.

AIHL has an audit exemption granted by the PRA.

A.1.4 Group structure and ownership

AIHL sits within the Insurance Division of The Collinson Group Limited as a direct subsidiary of Collinson Insurance Holdings Limited (CIHL). The diagram below summarises the operating entities within the Insurance Division. It should be noted that a separate SFCR is prepared for Collinson Holdings Europe Limited and its direct subsidiaries. The ultimate holding company of Collinson is Parminder Limited, a company incorporated in the Isle of Man. The ultimate controlling parties identified by Parminder Limited are the Trustees of the Colin Evans 1987 Settlement.



(Extract from the Collinson Group structure.)

A1.5 Solvency II lines of business

Assistance

This line of business (LoB) includes Motor Assistance, Motor Collision Damage Waiver, Personal Accident, and Travel Insurance products underwritten by the Company.

Fire and Other Damage to Property

This LoB includes Motor Assistance, Motor Collision Damage Waiver, Personal Accident, and Travel Insurance products underwritten by the Company.

Income Protection

This LoB includes Accident, Sickness and Unemployment (ASU) products underwritten by the Company.

Medical Expense Insurance

This LoB includes International Health Insurance products underwritten by the Company.

Miscellaneous Financial Loss

This LoB includes Ancillary Home Emergency and Gadget Insurance products underwritten by the Company.

A.2 Underwriting Performance

A.2.1 Technical Performance

The Company has continued to experience recovery in premium volumes as restriction slinked to the Covid-19 pandemic have eased with leisure travel increasing during FY22 with gross written premium increasing by 77% compared to FY21. The increase has been supported via the successful transition of business previously written on our behalf by third party carriers to Astrenska together with winning new affinity partner business.

The table below shows the summarised Statement of Comprehensive Income for the Group including premiums, claims and expenses for the year ended 30 April 2022.

Summarised Statement of Comprehensive Income	FY22	FY21	Variance
	£'000	£'000	£'000
Gross premiums written	64,569	36,485	29,084
Total technical income	26,777	41,071	(14,294)
Claims incurred, net of reinsurance	8,177	8,544	(366)
Underwriting result	18,599	32,527	(13,928)
Underwriting loss ratio	31%	21%	10%
Net operating expenses	18,035	31,919	(13,884)
Net operating expense ratio	67%	78%	(11%)
Balance on technical account for general business	565	608	(43)
Profit for the financial year	**960**	**681**	279

The Company's underwriting result for FY22 is £18,599k (FY21: £32,527k) and the net operating expenses decrease to £18,035K (FY21: £31,919k). The above result reflects the increased quota share arrangements in place with our new re-insurance partners. The Board and management are pleased to see another profitable year in FY22, with a profit of £960k (FY21: £681k).

A.2.2 Performance by Solvency II Line of Business

The underwriting performance by Solvency II LoB is shown in the table below for the year-ending April 30th 2022.

Underwriting Performance	Assistance	Fire and other damage to property	Income protection	Medical expense	Miscellaneous financial loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross written premium	38,817	6,433	103	302	18,914	64,569
Gross earned premium	20,460	6,834	94	1,515	15,677	44,580
Reinsurers hare	11,508	1,322	-	96	4,877	17,803
Net Earned remium	8,952	5,512	94	1,419	10,798	26,777
Gross claims	7,524	3,435	36	83	3,741	14,826
Reinsurers share	5,364	421	-	(220)	1,076	6,649
Net claims	2,160	3,014	36	303	2,664	8,177
Expenses incurred	8,162	2,237	66	79	7,487	18,035
Underwriting profit / (loss)	(1,370)	261	(8)	1,037	646	565

A.2.3 Geographical Underwriting Locations

The Company predominately writes business in the United Kingdom (UK) with a non-material amount (£286k) of medical assistance within East Africa. During FY21 underwriting and reinsurance arrangements within the European Union ceased due to the UK leaving the EU, with a small number of cancellations processed in FY22.

Geographical Underwriting Locations	FY22	FY21
	£000s	£000s
United Kingdom	64,318	32,315
European Union	(35)	4,154
Other countries	286	16
Gross written premium	64,569	36,485

A.3 Investment Performance

The investment choices are dictated by the investment policy. The policy ensures the Company maintains a high quality, diversified portfolio of short to medium term deposits with credit institutions offering fixed rates of interest over varying durations with capital preservation and positive investment returns helping to guide our investment decisions.

The UK base rate has continued to remain at 0.10% throughout the first half of FY22 and even with the increase to 0.75% between December 2021 to April 2022 limited investment opportunities have remained on cash holdings.

During FY21 in order to offer some further scope in the investment portfolio and better utilise excess capital the Company approved a loan of £7,000k to Collinson International Limited (CIL), an associated company which is repayable on demand and attracted an interest rate of LIBOR +50 basis points. As at the 30 April 2022 £4,000k is outstanding.

The Company regularly compares the returns and the duration of the fixed term deposits with the average duration of the liabilities to policyholders under insurance contracts. Any gap between the duration of the assets and the estimated average duration of the liabilities is managed by maintaining short term deposits and cash at bank and cash equivalents.

The Company targets returns in accordance with its authorised investment policy. Investment income gross of expenses for FY22 was £49k (FY21: £110k).

A.4 Performance of other activities

There are no material other activities to note in the reporting period.

A.5 Any other information

The uncertainty in relation to Covid-19 has improved significantly as a result of the successful vaccine rollout in the UK which has greatly weakened the link between infections, hospitalisations and deaths. While the future outlook is more positive than this time last year, we remain mindful of the risk posed by emerging mutations of the virus.

The UK and international economic recovery have benefitted from programmes of quantitative easing and government support packages, which led to an economic recovery in 2021 but has also contributed to higher-than-expected inflation. Inflationary pressures are also arising out of supply-side strain (on both labour and imported goods including fuel) in the UK. There are risks that could materialise for many reasons including if:

- Inflation continues to increase and interest rates rise quickly to counter it. In response, the Company's technical provisions have been set based on an assumption of no additional inflationary adjustment. We believe that the risks of inflation are relatively limited on the claims reserves due to the very short-tailed nature of the liabilities, and the general characteristics of the type of cover provided, but the inflationary risks are greater on the unearned business, as well as on any new business to be written, as these cashflows will be further into the future.

It is worth noting that the inflationary risks to the premium provision are mitigated to a large degree through the profit commission arrangement with Collinson Insurance Services Limited (CISL). The inflationary risks to new business will be dealt with as part of the insurance pricing process.

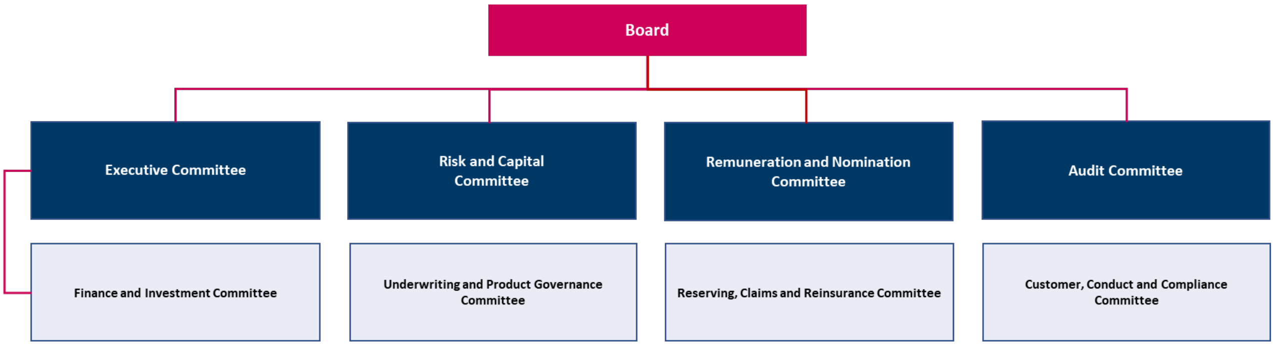
- Geopolitical tensions escalate, for example increased sanctions on Russia and/or between China and the West.
- The relationship between the UK and EU deteriorates and leads to a more challenging trade environment.

Depending on how these risks unfold over time, this could impact AIL through increased claims costs, possible reductions in new business and lapses. These have been included within the stress and scenario testing carried out as part of this SFCR highlighting that AIL continues to remain resilient to macro-economic shocks (including inflation and exchange rate shifts) as well as more extreme events.

B. System of Governance

B.1 General Information on the Group's System of Governance

The system of governance as at 30th April 2022 is depicted in the structure below.



The Company received regulatory approval in August 2021 for a new independent Non-Executive Director who now chairs the Audit Committee and Risk and Capital Committee. A Non-Executive Director resigned from the Board in January 2022 who also attended the Audit Committee and Risk and Capital Committee.

Board of Directors (BoD)

The BoD of the Group is of sufficient size and possesses the necessary experience and expertise to oversee the operations of the Company. The composition of the BoD is designed to ensure that:

- It can adequately discharge its responsibilities and duties whilst managing any innate conflict of interest;
- It has a proper understanding of, and competencies to deal with, the current and emerging issues of the business; and
- It can effectively review and assess the performance of its outsourced arrangements.

The BoD as at 30th April 2022 consisted of: an independent Non-Executive Chair, an independent Non-Executive Director, a Non-Executive Director and three Executive Directors.

The BoD has the necessary skills, experience and expertise in the following areas:

- Market awareness - understanding of the wider business, economic and market environment in which the Company operates and the knowledge and needs of policyholders;
- Business strategy and business model - an appropriate understanding of the Company's business strategy and model;
- System of governance - this includes risk management and control, awareness and understanding of the risks the Company is facing and the capability of managing them;
- The ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business;
- Financial and actuarial analysis - the ability to interpret the Company's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information; and
- Regulatory framework and requirements - awareness and understanding of the regulatory framework in which the Company operates, the regulatory requirements and expectations relevant to it and the capacity to adapt to changes in the regulatory framework in a timely manner.

A key role of the BoD is to engender an ethical culture within the company and provide entrepreneurial leadership within the bounds of the overall strategy. This is achieved within a framework of prudent and effective controls designed to identify, assess, and monitor key risks.

The Purpose of the BoD is:

- To oversee the conduct of the business and affairs of the Company, to monitor management and to ensure that all material issues affecting the Company's business and affairs are given proper consideration;
- To adopt such policies, rules, recommendations and actions as it deems advisable and are consistent with its responsibilities as set out in the relevant Company legislation and applicable regulation;
- To provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed; and
- To be responsible for the governance of the Company.

The BoD have the following **duties and responsibilities**:

- Set strategy, objectives, policies and direction for the Company, discuss strategic development initiatives and ensure approved initiatives are implemented in an effective and controlled manner;
- Set the strategic business targets, return on capital/ investment expectations and Risk Appetite measures for the Company and monitor compliance by regular reporting of performance against those measures;
- Review the Collinson Group investment decisions with respect to the Company;
- Ensure that the Company is compliant with applicable regulations by review of reports from the Compliance function;
- Ensure that the internal control environment is effective by review of reports from the Risk & Compliance Committee and the Risk Management function regarding key risks and controls;
- Ensure that the interests of clients and customers are considered in decision making ensuring customers are treated fairly and that conduct risk issues are appropriately addressed and embedded within the culture of the business;
- Monitor the performance of the Company including agreed key performance indicators relating to financial and non-financial measures including operational metrics;
- Review and monitor the Company's performance against business plan;
- Manage the Delegated Authority / sub–Agency Framework; and
- To consider the strategic alignment of key clients and partners including business development, relationship management, risks and issues.

The following are **matters reserved** for the Board;

- Determine and approve the three-year strategic plan, approval of any changes to strategy and approval of any business opportunities outside of the agreed strategy;
- Assess and approve the annual business plan including financial performance budgets and identify the key performance indicators required to monitor progress;
- Assess and approve the authority limits relating to underwriting, claims, reinsurance and finance commitments;
- Approval of Risk Management Framework and Risk Appetite Statements;
- Approval of the regulatory reports including the Own Risk and Solvency Assessment (ORSA) and the Solvency & Financial Condition Report (SFCR);
- Approval of the Annual Financial Statements, report and accounts and any material changes to accounting policy;
- Approval of the Reinsurance strategy;
- Approval of material contracts and expenditure over £3m;
- Appointment of professional advisors including Auditors, Bankers and Legal Advisors;
- Appointment of Directors;
- Approval of Board Policies; and
- Receive recommendations and escalations from the Committees.

Remuneration and Nomination Committee

The role of the committee is to determine appropriate compensation and incentivisation for the senior managers and on-executive directors consistent with attracting and retaining experienced talent and rewarding performance consistent with the interests of the all stakeholders of the business.

The role of the Committee is to ensure that there is a rigorous and transparent procedure for new appointments to the Board, and to assist the Board in ensuring their composition is regularly reviewed and refreshed so that it is effective and able to operate in the best interests of shareholders.

The Committee membership as at 30th April 2022 consisted of one independent Non-Executive Chair, an independent Non-Executive Director, and a Non-Executive Director.

The Committee has the following duties and responsibilities:

Remuneration

- The Committee shall determine and agree with the Board the policy for the remuneration of the Company's Chief Executive, the Executive Directors, and compensation payments. The remuneration of non-executive directors shall be a matter for the Board or the shareholders. No individual shall be involved in any decisions as to their own remuneration;
- The Committee shall also recommend and monitor the level and structure of remuneration for other members of Exco or individuals holding senior management positions from time to time;
- The remuneration framework should consider the Company's appetite for risk and be aligned to its long-term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long-term success of the Company;
- The Committee shall approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
- The Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary to help it fulfil its obligations within any budgetary restraints imposed by the Board; and
- Consider such other matters as may be requested by the Board and work and liaise as necessary with all other committees of the Board.

Nominations

- Review the structure, size and composition (including the skills, experience, independence, knowledge and diversity) of the Board and make recommendations to the Board regarding any changes that are deemed necessary;
- Monitor the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- Satisfy itself that plans are in place for orderly succession for appointments to the Board, Exco and senior management;
- Prior to Board appointment, evaluate the balance of skills, experience, independence, knowledge and diversity on the board, prepare a description of the role and capabilities required, and be responsible for identifying and nominating candidates from a wide range of backgrounds;
- Consider any training requirements for the Board as a whole to ensure that directors are fully informed about the strategic and commercial issues affecting the Company and the markets in which it operates, as well as their duties and responsibilities as a director; and
- Recommend to the Board on membership of the Audit and Risk & Capital Committees, as appropriate, in consultation with the chairperson of those committees.

Remuneration of members of the BoD

The Executive and the shareholder Non-Executive Directors are employed by the Collinson Group whilst the two independent Non-Executive Directors are contracted directly by AIL. Details of the amounts remunerated to Directors and Management can be found in Note 5 to the Audited Financial Statements of AIL.

The following principles are applied to remuneration within the Company:

- Senior members of staff will be remunerated in a manner which supports the aims of Regulatory requirements;
- Targets and measures will be set which support customer-centric behaviours;

- Senior staff will be remunerated against a balanced set of criteria; and
- No changes to remuneration will be made without oversight by members of the Board or a Committee with an appropriate level of independence.

Audit Committee

The Audit Committee is responsible for assisting the Board with discharging its responsibilities for monitoring the integrity of the Company's financial statements and the effectiveness of the systems of internal controls and to monitor the effectiveness, performance and objectivity of the statutory auditors and Internal Audit function.

The Committee membership as at 30th April 2022 consisted of an independent Non-Executive Chair and an independent Non-Executive Director.

The Audit Committee has the following **duties and responsibilities**:

- Oversee the process for the appointment, selection and re-election of the statutory auditors and monitor the independence and objectivity of the statutory auditors including review and approval of any non-audit services of the firm;
- Monitor the performance and effectiveness of the statutory audit process and review the observations and recommendations of the statutory auditors;
- Report to the Board on the outcome of the audit including how the audit contributed to the integrity of financial reporting and the role of the Committee in that process;
- Review and approve the internal audit plan and the effectiveness of the Internal Audit function ensuring it has adequate resources and standing within the company;
- Consider the observations and recommendations of the Internal Audit function and monitor progress of internal audit plan and actions;
- Review and assess the adequacy and effectiveness of the systems for internal control including financial reporting and controls;
- Review and challenge the actions and judgements of management in relation to the company's financial performance or financial statements;
- Review the Annual financial report and accounts to ensure integrity of the Annual Financial Statements regarding consistency, accounting for unusual or significant transactions, use of appropriate standards, policies and estimation techniques, related party transactions and adequacy of disclosures;
- Make recommendation to the Board for approval of the financial statements ensuring they reflect a true, fair and accurate view of the financial position of the Company;
- Monitor the financial reporting process and submit recommendations or proposals to ensure its integrity; and
- Ensure the timely production and filing of the Annual Financial Statements.

Risk and Capital Committee

The Risk and Capital Committee (RCC) is responsible for assisting the Board in its oversight of risk, agreeing the company's appetite for risk and reviewing the effectiveness of the risk management framework and compliance with regulatory obligations. It provides oversight and advice to the Board in relation to capital management ensuring sufficient capital is available to meet current and future requirements in an efficient manner consistent with Board approved Risk Appetite.

The RCC membership as at 30th April 2022 consisted of an independent Non-Executive Chair, an independent Non-Executive Director and three Executive Directors.

The **duties and responsibilities** of the RCC include the following:

Risk Management Framework

- Review and monitor the effectiveness of the Risk Management Framework and Risk Management function to ensure all material risks have been identified and assessed;
- Develop and maintain a clearly defined risk management strategy consistent with the overall business strategy that sets Risk Appetite and tolerance;
- Review and monitor key risks including effectiveness of controls and action plans; and
- Review and monitor emerging risks and horizon scanning.

Risk Appetite and Limits

- To approve the Risk Appetite Framework and the Risk Appetite Statement including related limits and triggers that comprise their Board Risk Measures;
- To receive regular reports on the RAG status of risk metrics within the Risk Appetite Statement; and
- To oversee management's implementation of the Risk Management Framework and the embedding of risk appetite and culture within the Company, including management's response to breaches of risk appetite (as defined in the Risk Appetite Statement and Framework).

Prudential Risk Management

- Receive quarterly analysis of current and future capital requirements and funds available to cover these requirements in line with risk appetite metrics e.g. return on capital employed (ROCE) and capital intensity ratios;
- Review adherence with risk appetites for investments and concentration limits for counterparties; aged debt and underwriting risk to maximise regulatory capital efficiency;
- To receive reports to explain the rationale for stress and scenario testing undertaken, including the impact of crystallisation of identified risks and threats. To consider the level of risk mitigation in place;
- Review and approve the company's Own Risk and Solvency Assessments including Own Funds requirements and stress and scenario tests; and
- To consider and recommend to the Board for approval material regulatory submissions and returns following Executive review.

Senior Manager Regime

- The Committee will consider, and recommend to the Board for approval, any material changes to the Insurer's Senior Manager Regime Responsibilities Map.

Regulatory Compliance

- To monitor the relationship with the Financial Conduct Authority and the Prudential Regulation Authority and other relevant regulatory bodies;
- Approve the Compliance Monitoring Plan and review and monitor compliance assurance activity including reviews of internal processes and procedures and reviews of third-party agents;
- Approve regulatory change programmes including resource requirements;
- Review relevant regulatory returns and reports, correspondence and relationships with the regulators; and
- Review significant incidents and breaches including impact and remedial action.

Executive Committee

The Committee has the responsibility for the day-to-day management of the activities of the Company, to determine the business plans, objectives and budgets required to deliver and implement the Strategy within Risk Appetite as set by the BoD. The role of the Executive Committee (ExCo) is to provide management of the Company, identify risks and opportunities, develop skills and ensure a resilient operational infrastructure.

The ExCo membership as at 30th April 2022 consisted of the following:

- Chief Executive Officer
- European Financial Controller
- Head of Commercial Finance
- Head of Travel
- Head of Multi Lines
- Head of Accident & Health
- Claims Director
- Head of Risk and Capital
- Head of Actuarial
- Senior Business Partner – People and Culture
- Head of Compliance

The **duties and responsibilities** of the ExCo include the following:

- Run the business on a day-to-day basis including managing to plan, allocating resources, agreeing priorities, monitoring implementations, actions and key performance indicators;
- Management and regular review of operational and financial performance of the Company;
- Develop and agree future business plans and initiatives, for proposal to the BoD as required;
- Develop annual and three-year business plans and budgets for approval by the BoD;
- Review performance against budget and agree changes to forecast, income and capital for approval by the BoD;
- Develop performance and succession plans for senior management;
- Review and agree pipeline opportunities for future development;
- Agree staff training programmes, development plans, staff engagement initiatives;
- Review and approve change programmes and monitor progress to plan;
- Manage the internal controls environment and report to the Audit and Risk & Capital Committees; and
- Review and approve Policies and procedures for the effective control and supervision of the Company.

The ExCo has the following sub-committees: (1) Finance & Investment, (2) Underwriting and Product Governance, (3) Reserving, Claims, and Re-insurance and (4) Customer, Conduct and Compliance.

Finance and Investment Committee

The Finance and Investment Committee is responsible for assisting the Executive Committee with oversight and co-ordination of the key Finance and Investment decisions in line with Board approved Risk Appetite.

The **duties and responsibilities** of the Finance and Investment Committee include the following:

- To monitor the performance of control activity within Finance and to challenge the effectiveness of the control activities undertaken;
- To recommend appropriate policies for financial management, liquidity and expenses, and to monitor and report on the financial performance of all entities within Insurance;
- To devise and monitor benchmarks for market risk, credit risk, and concentration risk;
- To monitor the liquidity position of Insurance (at currency level) and ensure that adequate arrangements are in place to cater for foreseeable liquidity requirements;
- To report on the exposure of Insurance to currency exchange risk at least quarterly and determine any mitigating measures;
- To assess the impact of new and pending Financial Reporting Standards on any technical judgements;
- To assess the appropriateness of banking arrangements including the financial strength of counterparty institutional credit ratings;
- To monitor, prioritise and pursue reinsurer and premium counterparty aged debt;
- To report on key changes in accounting standards; and
- To consider emerging risks.

Underwriting and Product Governance Committee (UPGC)

The purpose of the UPGC is to support the Executive Committee in execution of objectives and standards for Product Oversight and Governance, overseeing the management and development of new and existing products to ensure they align with strategic objectives, the needs of the target market and the delivery of fair customer outcomes. The UPGC also develops, implements and maintains appropriate policies and procedures on Product Governance for the purpose of ensuring the fair treatment of customers.

The **duties and responsibilities** of the UPGC include the following:

Underwriting

- Review the Underwriting Strategy prior to Board approval and monitor the implementation once approved;
- To approve and maintain the underwriting and delegated underwriting policies and procedures;
- Assess implications, monitor and approve developments / changes in underwriting activity especially regarding regulatory requirements and guidelines; and

- Review existing lines of business for continued participation or withdrawal and to research and recommend entry into appropriate new lines of business.

Underwriting Performance

- Receive and review reports monitoring underwriting performance against budget and, where applicable, price changes;
- Review and approve the development, implementation and monitoring of pricing methodologies; and
- Review, approve and challenge management on pricing recommendations that considers both customer and commercial impacts.

Deal Room (Working Group of UPGC)

- Have oversight of pricing decisions with timely reporting on the performance of decisions, in line with individual delegated underwriting authorities; and
- Reviewing the output of the capital calculator to ensure all products remain within the capital plan and line of business allocation.

Product Governance

- Maintain appropriate policies and procedures on Product Governance for the purpose of ensuring the fair treatment of customers and good customer outcomes;
- Review, challenge and provide approval for new products including distribution strategy, target markets and product design in line with the Product Governance Policy;
- Approval of significant changes and amendments to products and schemes which might have an impact in terms of product design, customer outcomes or risks to the business;
- Review the design and delivery of existing products at least once a year, the content and frequency of such reviews to be proportionate to their complexity and activity and reported to the committee in a timely manner; and
- Provide management with oversight of the suitability and performance of existing and new products, specifically in respect of how they meet customer needs for the target market and their alignment with strategy and risk appetite.

Reserving, Claims and Re-insurance Committee

The purpose of the Committee is to support the Executive Committee in execution of objectives and standards for claims management, reinsurance treaties and reserving methodology.

The **duties and responsibilities** of the Committee include the following:

Reinsurance

- To appoint the appropriate reinsurance agents and brokers to be used by the Company and to monitor and report on performance against objectives;
- To authorise the purchase of Quota Share Reinsurance and XOL Reinsurance in line with the reinsurance strategies and business plans; and
- To authorise the commute of reinsurance contracts where the committee deems that to do so is in the best financial interests of the Company.

Reserving

- Review and challenge models, assumptions and data used in the most recent claims reserves assessment and the calculation of technical provisions for SII;
- Provide objective challenge to the process used to set the reserves and the recommendations made by the actuarial function;
- Ensure there is consistency of assumptions between reserving, pricing, capital modelling, business planning and financial reporting;
- Review external reports and communications (Statement of Actuarial Opinion ("SAO"), reserving related regulatory communication and external actuarial reviews);
- Review regular reports from the actuarial function setting out its professional views on the level of reserves, together with the key uncertainties affecting the reserves and their potential financial impact;

- Ensure appropriate action is taken relating to movements in historical reserves, in particular seeking assurance on reserve adequacy following any deteriorations;
- Consider whether reserving methodologies currently in use are fit-for-purpose;
- Identify other methods that could be usefully applied to reserving and any barriers currently holding back their usage; and
- Co-ordinate the promotion of knowledge and understanding of both reserving in general and specifically the estimation of Technical Provisions for Solvency II.

Claims Management

- Review the claims reserving methodology and policy; and
- Receive updates from the claims management working group, chaired by the Claims Director.

Customer, Conduct and Compliance Committee (CCCC)

The CCCC has the responsibility for oversight of operational, regulatory and conduct risks of the Company in line with risk appetite and Company policy. The role of the Committee is to provide management of the operational, customer and conduct risks of the Company, including emerging risks, monitor the staff skills and competence and review the treatment of complaints, loss events and incidents.

The **duties and responsibilities** of the CCCC include the following:

- Review incidents and near misses considering the impact to the business, manage actions and commission root cause analysis;
- Assess and monitor conduct risks, including commission levels, complaints, quality assurance, sales quality, financial promotions, policy cancellations and claims repudiations through the analysis of internal and third-party data, review trend analysis and root cause and set and monitor tolerance levels in line with risk appetite;
- Set value measure metrics and tolerance levels, track value measure data by product, assess value measure data for submission to the FCA and review value measure data against published industry data;
- Review customer feedback through complaints, customer satisfaction programmes and NPS;
- Review regulatory change, considering the impact to the Company and actions required to meet the requirements in accordance with any regulatory deadlines;
- Review compliance breaches, impact, remediation and notification to the Regulator if necessary;
- Review and consider emerging risks and horizon scanning;
- Monitor to ensure staff vetting and performance management processes are undertaken, and any breaches of the conduct rules recorded and monitored;
- Monitor to ensure all staff undertake training and competence in line with regulatory requirements and identify any additional training needs;
- Monitor compliance with Data Protection Regulation including DPA and GDPR including data breaches, subject rights requests, staff training, records of processing and international transfers;
- Monitor financial crime risks and effectiveness of controls;
- Monitor and oversee the compliance and conduct risks of appointed representatives, distribution agents, claims administrators, sales and service providers and assistance partners;
- Monitor compliance with Senior Managers Certification Regime including monitoring of conduct rule breaches, staff competence, fitness and propriety, record keeping and reporting;
- Monitor potential conflicts of interest including review of gifts and hospitality register;
- Monitor the timely submission of regulatory returns including RMARs, conduct risk reports, surveys and thematic reviews; and
- To monitor operational resilience of the Company and all relevant third parties including cyber and information security, disaster recovery plans and tests, operational dependencies and business continuity plans.

B.2 Fit and Proper Requirements

It is the Company's policy to conduct all of its business in an honest and ethical manner that is compliant with law and regulation. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to ensure the law and regulation surrounding fitness and propriety are respected.

Solvency II requires that senior management meet appropriate fitness and propriety requirements. In addition, it identifies those heading up Internal Audit, Risk Management, Compliance and Actuarial as being specific roles that need to meet appropriate fitness and propriety requirements. Article 273 of the Solvency II Directive sets out:

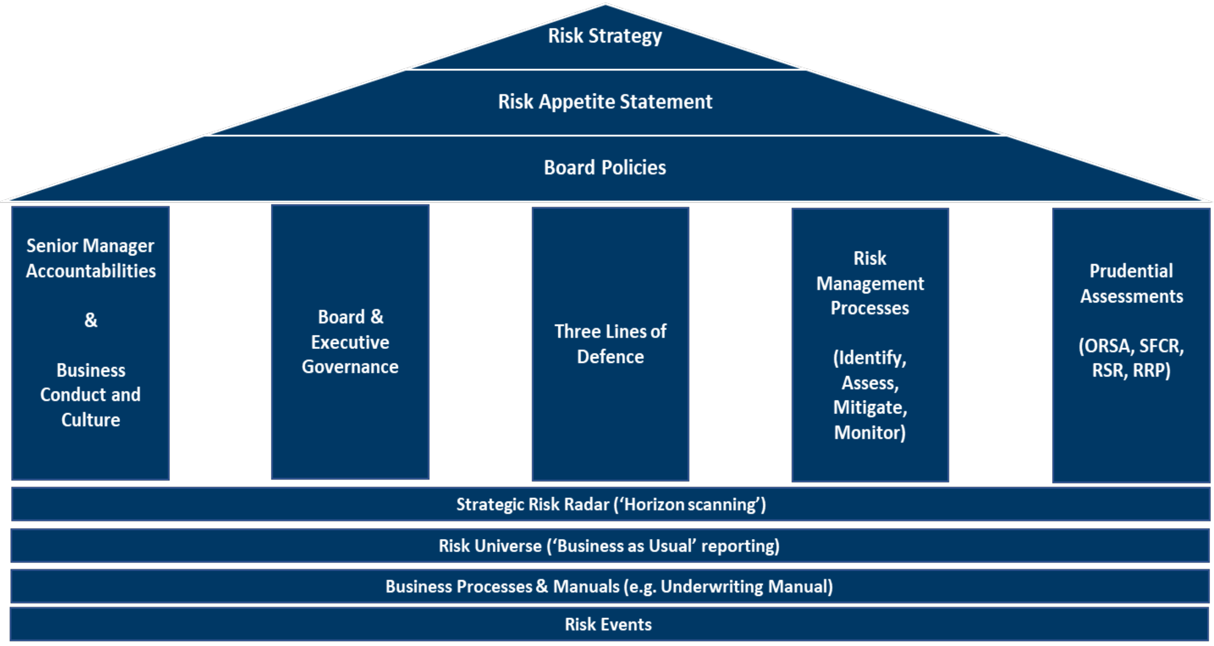
- Insurance undertakings shall establish, implement and maintain documented policies and adequate procedures to ensure that all persons who effectively run the undertaking or have other key functions are at all times fit and proper within the meaning of Article 42 of Directive 2009/138/EC.
- The assessment of whether a person is fit shall include an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses and shall take into account the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial and management skills of the person.
- The assessment of whether members of the administrative, management or supervisory body are fit shall take account of the respective duties allocated to individual members to ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the undertaking is managed and overseen in a professional manner.
- The assessment of whether a person is proper shall include an assessment of that person's honesty and financial soundness based on evidence regarding their character, personal behaviour and business conduct including any criminal, financial and supervisory aspects relevant for the purposes of the assessment.
- This includes people such as Directors, Auditors and Actuaries appointed. Employees performing their duties within the insurance sector are subject to scrutiny by regulators and are expected to exercise high standards of conduct and to undertake their respective roles in a fit and proper manner.
- Prior to recruitment, directors, senior managers and individuals performing controlled and/or certified functions are subject to general checks using the following sources of information to ensure that they are fit and proper:
  - Curriculum Vitae (“CV”) and employment application forms;
  - Interviews with the candidate;
  - The applicant’s input to the UK Regulator’s relevant application form;
  - References and other information provided by current and previous employers;
  - Professional and technical associations and other public bodies;
  - Internal records of Collinson (in relation to existing staff);
  - Credit reference checks; and
  - Disclosure and Barring Services (“DBS”) checks.
- Individuals are also required to declare any information which may impact their ability to perform their role, conflicts of interest or any criminal or civil proceedings. Where applicable the information is submitted to the PRA / FCA in support of their Senior Manager Function (“SMF”) applications. The checks are repeated on an at least annual basis or when relevant circumstances or requirements change. All Directors, Executive Committee members and other persons holding a position subject to regulatory approval are required to complete a Conflicts of Interest checklist annually. Any Conflicts of Interest are required to be declared to Compliance, in accordance with the Conflicts of Interest Policy.

B.3 Risk management system including the Own Risk & Solvency Assessment

The Company has established and embedded a consistent risk management framework, supported by appropriate Board policies and procedures to manage the key risks to the business. Where relevant, policies and procedures have been aligned to the current regulatory requirements under the Solvency II (“SII”) regime. A key part of the Company’s risk management Framework is the way the business collectively manages, controls and reports risk at every stage throughout its governance structure. The governance framework is based upon the “three lines of defence” model and seeks to provide a formal and robust structure to enable risks to be identified, assessed, controlled and mitigated; reported and monitored.

Risk Management Framework

The Company has established a risk management framework, supported by a Risk Strategy, Risk Appetite Framework and Board policies, to manage the risks faced by the business. All components of the risk management framework are shown in the illustration below highlighting how each component interacts with another.



Risk Strategy

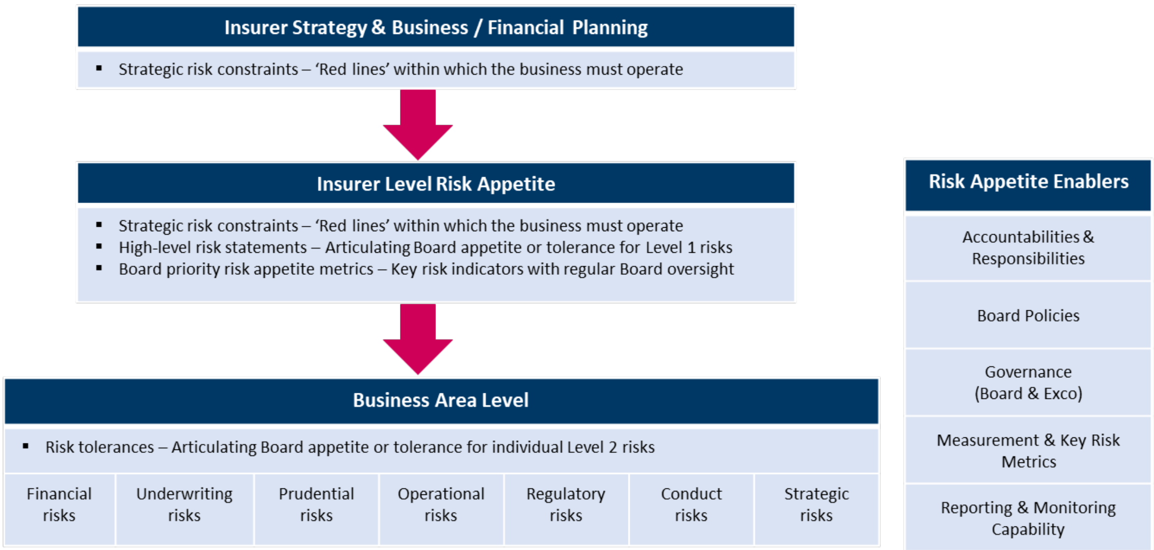
The Risk Strategy defines the guiding principles with which the Company operates to deliver effective risk management in support of its commercial performance and intended customer outcomes. Twenty-one principles have been defined, centred on five themes which provide a coherent structure to articulate the strategic approach to risk management:

(1) People & Culture, (2) Customers, (3) Data & Systems, (4) Processes & Delivery, and (5) Prudential

People & Culture	▪ ***Accountabilities led*** approach (with the Senior Manager Regime embedded from inception) ▪ ***Three Lines of Defence*** operating model (with clearly defined roles & responsibilities) ▪ Strong emphasis on ***professional conduct*** (i.e. 'Do the right thing') ▪ ***Culture of effective risk management*** (i.e. risk identification, escalation, mitigation, awareness & learning from events)
Customers	▪ ***Responsible Insurer*** & relationship led business partner ▪ ***Safe & secure*** guardian of customer data & assets ▪ ***Fair treatment*** of new & existing customers (with a strong outcomes focused ethos) ▪ ***Sensitive & flexible*** treatment of vulnerable customers
Data & Systems	▪ ***Data led strategy*** for decision-making & customer relationship management ▪ ***Automate*** rather than rely on manual intervention (with preventative controls where practical) ▪ ***Buy before Build*** – prioritise the use of 'tried and tested' technologies from well-established providers ▪ ***"Robust" operational resilience*** for systems, business processes & controls
Processes & Delivery	▪ ***Integrated*** risk & control framework ▪ Robust selection & ***oversight of Outsource Service Providers & suppliers*** ▪ ***Robust change management*** processes ▪ ***Timely remediation*** (i.e. 'We'll put things right if things have gone wrong')
Prudential	▪ ***Own funds***: become self-sufficient with internal growth of own funds rather than shareholder capital injections ▪ ***Resilient balance sheet*** (i.e. capital & liquidity requirements are met under 'extreme but plausible' stresses) ▪ ***Stable earnings*** (i.e. profitability isn't volatile / unpredictable) ▪ ***Robust stress testing*** & scenario analysis ▪ ***Prudent*** approach to strategic planning & financial accounting / reporting

The Risk Appetite Framework (RAF) defines the Company's overall approach through which risk appetite is established, communicated and monitored. It also defines the roles and responsibilities of those overseeing the implementation and monitoring of the RAF (including policies, processes, controls and systems). The RAF is complemented by the Risk Appetite Statement (RAS), which defines the risk appetite across the Company's seven primary risk classes and the associated qualitative and quantitative risk limits, applying a two-level hierarchy (i.e. Board and Executive) to the risk limits and reporting.

The diagram summarises the interplay of risk appetite with strategy and business planning, alongside the processes for managing risk appetite and associated key enablers.



The appetite for risk is aligned to the Business Strategy to ensure that key risks are identified, and suitable mitigating controls are implemented and monitored. The risk appetite statement is agreed and reviewed at least annually by the Board and earlier in case of material change in risk profile or strategy. A monitoring programme of risk appetite metrics supports management in ensuring that the Company remains within its risk appetite.

The Company follows a 'three lines of defence' operating model for risk management. This approach is predicated on 'the business' (Line 1) having effective risk management processes in place, coupled with the effective design, implementation and operation of effective controls.

The Risk function (Line 2) provides strategic oversight and challenge, whilst also enabling robust risk management by providing advice, policies, guidance and tools to aid Line 1's risk activities. Internal Audit ('Line 3') provide independent oversight and assurance on the effectiveness of Line 1 and Line 2 risk management.

The table below highlights the different roles and responsibilities for key risk management processes:

'The business' (Line 1)	Risk (Line 2)	Internal Audit (Line 3)
(1) Risk Identification ▪ ***Proactively escalate risks & issues to relevant line managers*** ▪ Proactively escalate potential breaches to line managers & Risk ▪ Maintain business team's Risk & Control Self-Assessments	**(1) Risk Identification** ▪ Maintain the Risk Universe (a shared vocabulary for 'show on the road' risk categories & definitions) ▪ Maintain the Strategic Risk Radar (a 'top-down' tool for key risks) ▪ ***Challenge*** Executive team re. incoming / 'horizon' risks	**(1) Risk Identification** ▪ Provide independent oversight & assurance on effectiveness of Line 1 & 2 risk identification activities
(2) Risk Assessment ▪ Apply the 5x5 Risk Matrix when performing Self-Assessments ▪ Assess materiality of risks & issues when determining next steps ▪ ***Ensure the business stays within the Board's Risk Appetite***	**(2) Risk Assessment** ▪ Responsible for the Board's Risk Appetite Statement ▪ Maintain the 5x5 Risk Matrix for assessing business areas risks ▪ Maintain the Risk & Control Self-Assessment ***methodology & tools***	**(2) Risk Assessment** ▪ Provide independent oversight & assurance on effectiveness of Line 1 & 2 risk assessment activities

'The business' (Line 1)	Risk (Line 2)	Internal Audit (Line 3)
(3) Risk Management ▪ ***Implement effective risk mitigation processes (ideally using a mix of preventative & detective controls)*** ▪ Implement effective actions if a risk is outside of risk appetite ▪ Maintain robust regulatory & Policy gap analyses ▪ ***Proactively confirm the effective execution of key controls***	**(3) Risk Management** ▪ Provide ***advice & guidance*** on risk management solutions / approaches ▪ Provide ***independent oversight*** of Line 1 risk management (e.g. via Compliance Monitoring work, Scenario analysis, etc.) ▪ Deliver a rolling programme of Compliance Monitoring ▪ Support the Underwriting Control Framework	**(3) Risk Management** ▪ Provide independent oversight & assurance on effectiveness of Line 1 & 2 risk management activities
(4) Risk Reporting ▪ Support regular reporting of business area risk profile ▪ Proactively monitor key risk exposures (in line with Risk Appetite)	**(4) Risk Reporting** ▪ Provide ***Exco & Board reporting*** on Risk Universe & Strategic Risks ▪ Provide independent oversight reports to Board Risk Co (e.g. MLRO)	**(4) Risk Reporting** ▪ Provide independent oversight & assurance on effectiveness of Line 1 & 2 risk reporting activities
(5) Board Policies ▪ Adhere to the Board's Policy Statements & Minimum Standards ▪ Proactively request waivers / exceptions if non-compliance exists	**(5) Board Policies** ▪ Define the Board ***Policy framework*** & document set ▪ Create Policy Statements & Minimum Standards for Insurers ▪ Maintain a register of policy waivers & exceptions	**(5) Board Policies** ▪ Provide independent oversight & assurance on effectiveness of compliance with Board Policies
(6) Risk Culture ▪ Lead by example ▪ Recruit for cultural fit & support new joiners in induction activities ▪ ***Apply 'common sense' & professional judgement in personal conduct & treatment of customers*** ▪ Embed appropriate behaviours in teams, reinforced by responsible objective setting & performance management	**(6) Risk Culture** ▪ Lead by example ▪ Provide ***new joiner training*** on risk management ▪ Provide a rolling programme of ***risk awareness*** 'deep dives' ▪ Periodically assess business team culture (e.g. via Compliance Monitoring work or in aftermath of operational incidents)	**(6) Risk Culture** ▪ Provide independent oversight & assurance on effectiveness of risk culture activities

Own Risk and Solvency Assessment Process

The requirements of Article 45 – Own Risk and Solvency Assessment ('ORSA') of the Solvency II Directive 2009/138/EC of the European Parliament and of the Council require companies to have processes in place as is proportionate to the nature, scale and complexity of the risks inherent in its business. Within their risk identification process, the Insurers seek to properly identify and assess the risks they face, in the short and long term, and to which it is or could become exposed whilst having processes in place which led to effective capital management.

ORSA Objectives

The ORSA process supports the BoD in achieving their strategic objectives by taking a structured and combined approach of business strategy, risk management and capital management. Thus, within this context, the prime purposes of the ORSA processes are to:

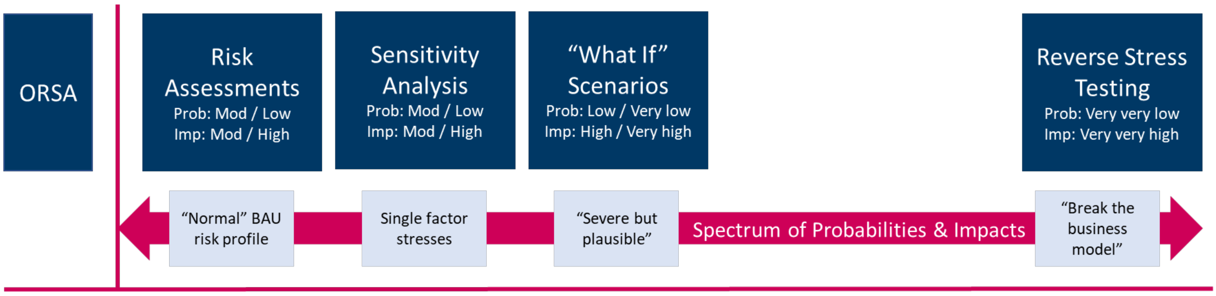
- Provide the BoD and individuals involved in the decision-making processes and management with an assessment of whether risk management and solvency position are currently and prospectively adequate;
- Serve as an essential insight for any strategic decision to be made; and
- Serve as a supervisory tool by providing a detailed understanding of the evolving risk exposure, solvency position and capital planning of the Company to the Prudential Regulation Authority.

ORSA Timing and Frequency

The Company will undertake an ORSA process, at least annually, to demonstrate the adequacy of the available capital, the Risk Appetite and the appropriateness of the risk limits which are assessed for the business planning period, considering the evolving risk profile. It will be re-performed on an additional 'ad hoc' basis in the event of significant change in the risk profile or business plans. Depending on the trigger and initial impact assessment, either a full or a partial ORSA (focused on the triggering event whilst keeping other variables constant) will be conducted.

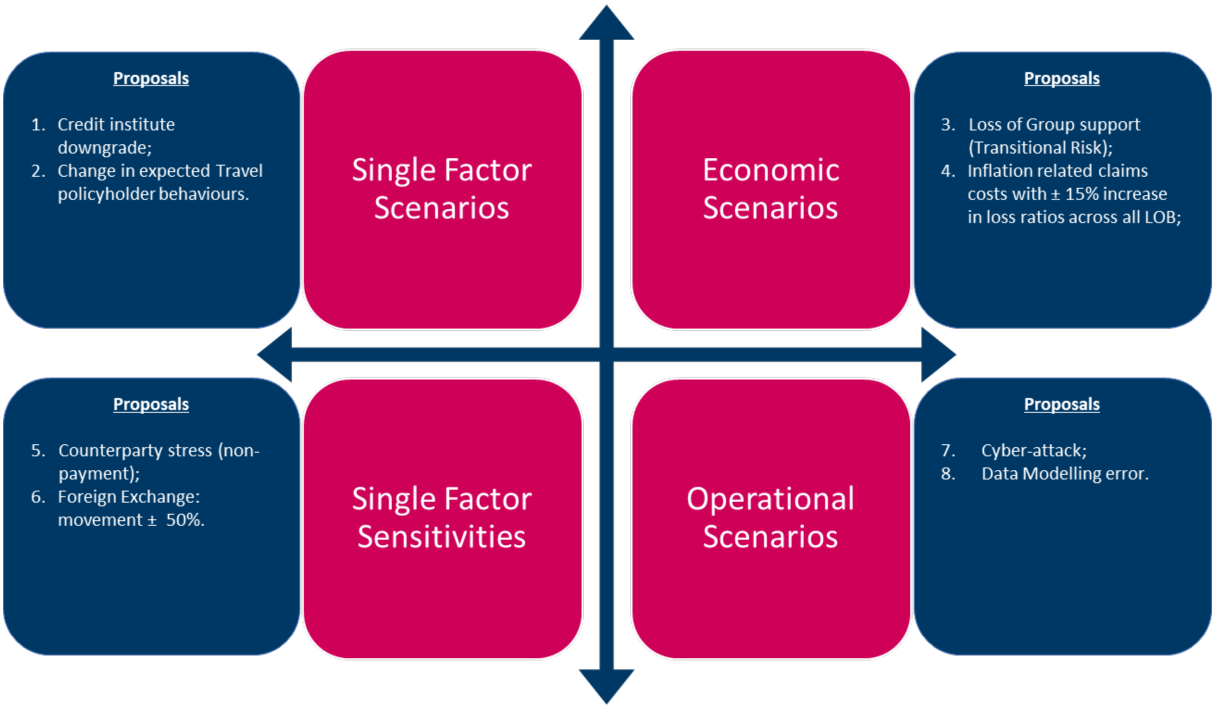
The diagram below depicts the ORSA process which has been embedded.

An integral element of the Company's risk management framework is the stress and scenario testing of the business model and its key assumptions through sensitivity analysis and 'extreme but plausible' scenarios.



- **ORSA**: Identifies the Company's capital requirements in delivering the business strategy and includes in 'extreme but plausible' stress scenarios and forecasts the adequacy of its capital holdings against these requirements.
- **Stress tests**: These generally assess the impact of a change in a single risk factor. Tests were performed that included both negative and positive results on the 3-year forecast view of SCR.
- **Scenario tests**: These assess the impact of a change in the overall operating environment resulting from a range of factors or a 'shock'. The tests are considered relevant to the Company's underwriting portfolio and operating model.
- **Reverse Stress tests**: These assess the scenarios and circumstances that would render the Company's business model unviable and encourages management to identify pre-emptive measures that would be applied in such scenarios.

A range of stress and scenario tests, which are severe but plausible, are applied to the Company's Base Case Capital model to understand the impact of these sensitivities. The visual below depicts the types of scenario analysis that have been assessed as part of the ORSA process.



B.4 Internal Control System

Internal control is defined as a process determined by an organisation's structure, work and authority flows, risk profile, people and management information systems, designed to help the organisation accomplish specific goals or objectives. The purpose of an internal control system is to have in place a coherent, comprehensive and continuous set of mechanisms which are designed to secure the following:

- Effectiveness and efficiency of the undertaking's operations, leading to improved performance and error reduction;
- Alignment of the Company's activities with its business objectives by ensuring resources are correctly and prudently allocated;
- Safeguarding of the Company's physical and monetary assets against error, fraud, theft and unauthorised use, acquisition or disposal, by quick identification and systemic prevention of, and formal responses to, these activities;
- Availability, reliability and accuracy of financial and non-financial information, ensuring proper financial reporting, by maintaining accurate and complete records required by legislation, regulation, the Board and the Company;
- Provision of timely and accurate management information critical to sound management practices and decision making;
- Compliance with applicable laws, regulations and administrative provisions; and
- Reduction of exposure to risks by minimising the chance of unexpected events.

In order to support a robust internal control system a suite of governance policies have been implemented to ensure the strategy and objectives of the Company are achieved. All relevant personnel and service providers are made aware of these policies where applicable to support the internal control environment.

The Internal Control System within the Company is depicted within the other sections of section B – System of Governance with key function holders appointed to Actuarial (B6), Compliance, Internal Audit (B5) and Risk Management (B3) and are detailed in the relevant sections. Compliance is detailed below.

Compliance Function

The Compliance Function is an independent function giving guidance and coordinating the efforts and activities of the Company as they relate to regulatory compliance. The Compliance function seeks to foster a culture of compliance; to facilitate compliance and to provide a quality assurance role to the Board as to the state of affairs of its businesses in relation to regulatory compliance. The Compliance team aims to provide assurance to the RCC and the Board that the Company conducts business in accordance with all relevant laws and regulations; internal compliance policies and ethical standards. The key responsibilities of the Compliance role is to:

- Ensure relevant and appropriate compliance training is provided for employees and the Board;

- Provide reasonable assurance that the business and its Appointed Representatives (AR's) are aware of and comply with the relevant laws, rules, regulations and standards in the UK;
- Ensure appropriate and proportionate risk-based systems and controls are in place to support compliance with relevant laws, rules, regulations and standards in the UK;
- Assist in the design, formulation and amendment of new and existing policies and procedures, products, services and the approval of marketing and advertising material;
- Provide a level of co-ordination and interaction with the relevant external bodies, including regulators, external auditors and external compliance consultants on all relevant issues and matters;
- Ensure that the business keeps pace with regulatory change by performing frequent horizon scanning, engaging with stakeholders to assess impact, communicating incoming change to relevant parts of the business, supporting with reg change projects and tracking and reporting on the status of project deliverables;
- Provide regulatory advice to help support and enable new and existing business arrangements;
- Ensure regulatory reporting is accurate and submitted on time; and
- Coordinating and managing all communications with regulators.

The activities of the Compliance team are detailed in the Compliance Plan, which is supplemented by a Compliance Audit plan, both of which are approved annually by the RCC. The purpose of the Compliance Plan is to identify and communicate the areas of focus for the current financial year in accordance with business objectives, key risks and areas of regulatory development. The Compliance Audit Plan identifies the risk-based reviews and assessments of clients and third parties and internal reviews of systems and controls. The Compliance team monitors incidents and breaches notifying to the appropriate regulator where required. The Compliance team also helps the business understand and prepare for future changes to relevant regulatory requirements. This includes assessing the potential risk / impact to the business, whether existing business processes operate in a compliant manner and communicating the impact of the regulations and associated actions to the relevant parts of the business.

Responsibilities of all employees / service providers:

- Being conscientious in seeking to comply with relevant obligations in the course of their duties;
- Completing mandatory compliance training as per the approved timescales;
- Ensuring compliance with any changes to regulatory policies and procedures;
- Involving the Compliance Function in new business initiatives and new products;
- Following the current policy and procedures with regard to complaints and potential rule breaches;
- Ensuring employees act within the fit and proper person requirements;
- Coordinating any discussions or meetings with regulators via the Compliance Function; and
- Asking for guidance on any Compliance queries or concerns.

B.5 Internal Audit Function

The Internal Audit function is an independent assurance function, which examines and evaluates the functioning of internal controls and governance within the control environment. It objectively examines, evaluates and reports on the adequacy of the control environment in relation to compliance with documented policies and procedures.

An appropriate control environment is fundamental to ensuring that staff behaviour is consistent with governance and regulatory requirements, and it relies on senior management promoting the appropriate top-down culture.

Internal Audit is governed by an Internal Audit Charter that defines the role, level of professionalism, authority, structure, independence and objectivity and responsibility of the function. The charter is reviewed and approved by the Audit Committee (AC) on an at least annual basis.

The function, which is led by the Head of Internal Audit, forms the Company's third line of defence. It operates in accordance with The Institute of Internal Auditors' mandatory guidance including The Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

The Head of Internal Audit reports into the chair of the AC, which is an iNED role. This reporting structure delivers independence to Internal Audit. The Head of Internal Audit creates an Internal Audit Plan on a bi-annual basis following a risk assessment process which includes:

- A review of the risk register;
- Consideration of functions/operations impacted by recent or upcoming changes; and
- Interviews with senior Management throughout the entire business.

The Internal Audit Plan is frequently evaluated to determine that it is relevant and appropriate, in particular to changes that significantly impact on the business environment such as changes in management strategies, external conditions, major risk areas, or revised expectations in respect of achieving the business objectives. Any proposed amendments or updates to the Internal Audit Plan are submitted to the AC Chairperson for review and approval. The AC review and approve the Internal Audit Plan. Internal Audit activity evaluates the management and governance oversight covering key risks and the design and operating effectiveness of key controls. The output of each internal audit engagement is an audit report covering the overall audit opinion, key observations covering control failing or identified weaknesses and their potential impact, and the actions and timings which Management have agreed to remediate.

B.6 Actuarial Function

The Actuarial Function is responsible for calculating the probability and risk of future events using specialised mathematical techniques, software and commercial experience.

The Actuarial Function is a critical function of the Company, having a significant impact on pricing, reserving and capital. It is a key contributor to the effective control management of insurance risks relating to the failure of pricing, risks relating to the failure of product or strategy and risks relating to adverse reserve development.
The Company has an in-house Actuarial team which completes the UK GAAP Reserving and Solvency

II Technical Provisions ("TP's") led by the Head of Actuarial Reserving & Solvency. The Solvency Capital calculations are also completed jointly with the in-house Finance team. Willis Towers Watson ("WTW") provide peer-review of the results and this peer review is in addition to the formal validation brought by the annual Actuarial Function Report ("AFR") which is produced annually by a senior Actuary from WTW who acts as the Company's senior insurance management function holder 20: Chief Actuary ("SMF20").
The AFR sets out

- the assessment of the reliability and adequacy of technical provisions;
- the opinion on the underwriting policy; and
- the opinion on the overall reinsurance arrangements.

The AFR and the recommendations of the Chief Actuary are presented to the Board, and the progress of actions is tracked and reported to the relevant Committee(s).

Governance and Independence of the Actuarial Function

The Actuarial Function will need to consider issues of governance, independence and conflicts of interests. It is required to be independent of an insurer's revenue-generating functions. In addition, normal good governance requires a degree of separation between those who perform Actuarial Function work and those who review and supervise it.

There are numerous stakeholders in the Actuarial Function's work. Some of these will rely on the output of the Actuarial Function, others will provide inputs to its work. Setting out stakeholder responsibilities clearly and in advance is of vital importance. Bringing together issues of governance, independence and meeting the Directive and regulators' requirements will require a suitable organisational structure which will also need to consider practical issues, such as the availability of suitable staff.
The outsourced areas of the Actuarial Function within the Company are as follows:

- Coordinate the calculation of Solvency II technical provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions to ensure that their calculation is consistent with the requirements of Solvency II;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions through data quality assessments;
- Report regularly to Management and the BoD on the reliability and adequacy of the calculation of technical provisions, on pricing and reserving policies;

- Provide an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements;
- Contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements, including the independent validation of the internal model, and to the ORSA;
- Provide the required support in the area of product pricing;
- Compare best estimates against experience to validate the Solvency II technical provisions; and
- Submit an annual report to the BoD and Management outlining the tasks that have been undertaken by the Actuarial Function and the corresponding results, and clearly identifying any deficiencies and providing recommendations as to how such deficiencies should be remedied.

B.7 Outsourcing

The Company only enters into outsourcing arrangements with service providers who have adequate financial, human, capital and systems resources to take on the activities outsourced to them. The Company will assess that the provider is financially sound and has the relevant knowledge and experience of the service it is contracted to supply.
The outsourcing of critical and/or important operational functions or activities has not been undertaken in a way that has led to any of the following:

- Materially impair the quality of the system of governance of the Group;
- Unduly increasing the exposure to Operational Risk;
- Impairing the ability of the supervising authorities to monitor the compliance of the Company with its obligations; and
- Undermining continuous and satisfactory service to policyholders.

The Company remain fully responsible for all outsourced functions and activities it needs to include in its risk management systems and controls for monitoring and reviewing the quality of the service provided. It is not sufficient for the service provider itself to have internal controls and a risk management system that covers the services performed. In order to ensure effective control of outsourced activities and manage the risks associated with the outsourcing, the Company maintains the competence and ability to assess whether the outsourcing provider delivers according to contract.

- The Company has an intra-group outsource agreement with Collinson Insurance Services Limited (“CISL”) for arranging claims handling, IT, Finance, Underwriting, HR services and other administration support.

The following critical or important operational functions have been outsourced by the Company:

- Solvency II Actuarial Function Holder – Chief Actuary Role;
- Claims Handling for some products;
- Medical Assistance case management;
- Back-office services such as IT, HR, Facilities; and
- Distribution, sales and complaint handling for some products

The arrangements detailed above are reviewed regularly to ensure outsourcing risks are mitigated and that quality of service is maintained.

The BoD are responsible for ensuring that adequate practices are in place for the effective oversight and management of all outsourcing arrangements and will undertake the following:

- Approve all outsourcing contractual arrangements of critical or important operational functions in line with delegated authorities;
- Review business cases and due diligence for outsourcing arrangements to ensure that risk is minimised;
- Review compliance with the Outsourcing Policy; and
- Receive reports on outsourcing arrangements and be informed on the performance of the service provider.

The following controls are in place to ensure that outsourcing does not expose the Company to unnecessary or unmitigated Operational Risk:

Decision to Outsource

The risk and requirement for outsourcing is assessed internally by the Company as to whether the arrangement is aligned with the overall strategy. The ultimate decision to outsource a material activity is taken by the BoD following an identification of potential risks.

Due Diligence

Comprehensive due diligence is performed on all prospective outsourced suppliers.

Contract

Depending on the proposed length of the outsourcing arrangement, the contract may require amendment and should encompass the scope of services required, quantifiable performance measures, Service Level Agreements ('SLA') and reporting of those that are not met. There are either accessible to, or audited by, external and internal audits.

B.8 Any other information

The BoD do not consider that there is any further information which should be disclosed.

C. Risk Profile

The Company's risk exposure is classified within 7 level 1 risk classes: Financial Risk, Underwriting risk, Prudential Risk, Operational Risk, Regulatory Risk, Conduct Risk and Strategic risk. The table below provides a breakdown of the components of the Solvency Capital Requirement (SCR) as at 30 April 2022:

risk	FY22 £'000	FY21 £'000	Movement £'000
Non-Life Underwriting	8,878	9,898	(1,020)
Health Underwriting	546	1,285	(739)
Market Risk	2,937	4,507	(1,570)
Counterparty Default	1,653	1,909	(256)
Undiversified BSCR	**14,014**	**17,599**	**(3,585)**
Diversification	(2,975)	(4,439)	1,464
Base SCR	**11,039**	**13,160**	**(2,121)**
Operational Risk	1,337	1,333	(4)
SCR	**12,376**	**14,493**	**(2,117)**
Own Funds	22,353	22,762	(409)
SCR Coverage Ratio	**181%**	**157%**	**24%**

The undiversified base SCR has reduced by 20% during the financial year to 30th April 2022 with the base SCR falling by 16% during the same period. This has been predominately driven by a reduction in the net of reinsurance exposure on non-life underwriting risk, the run-off of the health business reducing health underwriting risk and market (currency) risk, and a reduction in market (concentration) risk due to the loan repayment by Collinson International Limited (CIL).

The reduction in non-life underwriting is predominately the result of changes in the underlying business mix, with premium and reserves for the 'assistance' line of business increasing whilst they have reduced for the 'fire & other damage to property' and the 'miscellaneous financial loss' lines of business. Health underwriting risk continues to reduce as these lines of business, including the reinsurance of some Collinson Insurance Europe Limited (CIEL) health schemes by AIL, continue to run-off.

An investment decision made during FY21 to provide a £7,000k loan to CIL and subsequent repayments has reduced the market risk charge as the exposure reduces with an outstanding balance of £4,000k as at 30th April 2022. The decrease in the market risk reduces the diversification benefit available to the Company that is shown in the above table.

These strategic decisions have reduced the SCR whilst own funds have remained constant generating an increase of 24% in the SCR coverage ratio. This excess will support the planned growth and travel recovery whilst remaining within the Board approved risk appetite tolerances over the medium term. The Company has successfully onboarded material new Travel schemes which, combined with strong travel insurance recovery in the second half of FY22 supports the material growth that is being projected within the Company as the recovery from the pandemic continues.

C.1 Underwriting Risk

Underwriting risk arises from the volume of business we underwrite, inadequacies in pricing, compared to the product benefits, or worse than expected claims experience. The majority of underwriting risk to which the Company is exposed is of a short-term nature in view of the lines of business which it writes.

The table below shows the Underwriting Risk charge for year ending 30th April 2022 and percentage of the undiversified base SCR with a comparison with the previous financial year.

Underwriting Risk	FY22		FY21		Change	
	£'000	BSCR %	£'000	BSCR %	£'000	BSCR %
Non-life Underwriting risk	£8,878	63%	£9,898	56%	(£1,020)	7%
Health Underwriting Risk	£546	4%	£1,285	7%	(£739)	(3%)
Total Underwriting Risk	**£9,424**	**67%**	**£11,183**	**63%**	**£1,759**	**4%**

Underwriting risk is mitigated by:

- Single source performance information produced on a regular basis, feeding into the underwriting and management processes and informing decision making. AIL has also invested in improvements to the analytical processes – including new reserving processes and underwriting management information and pricing models.
- The Company is a specialist insurer focusing on Travel, selectively global International Private Medical Insurance (IPMI), specialist and ancillary personal lines insurance products. The portfolio consists of individual policies spread across the whole geographical area, minimising concentration risk. As well as pricing, the Company has additional controls to segment the market and target those risks it wishes to underwrite.
- The nature of the Company's product portfolio contains products such as International Health and Travel insurance, for which claims emerge from accidents or events across the globe wherever our policyholders may travel to. This brings an inherent geographical diversification to our risk of claims.
- Reinsurance contracts, both quota share and excess of loss, reduce exposure to large individual claims or aggregated losses from a single event and dampen the volatility in the underwriting result.
- A triannual review of reserving loss ratios is undertaken, which sets the UK GAAP reserves. This is done by projecting premiums and claims to an ultimate position using underwriting year triangles. Prior to each analysis, the accuracy of these models is tested. Back testing of recent experience against the expected premiums and claims emergence is performed between Reserving Committees where the analysis is challenged prior to sign off and booking. As the Solvency II Best Estimate TP's consist of Premium Provisions, Claims Provisions and Risk Margin, the booked UK GAAP reserves form an input into the Company's Solvency II Best Estimate TP's Model. The analysis is passed on to the external Actuarial Function holder for independent review and signoff at least annually.
- Underwriting governance processes including the Deal rooms pay particular attention to how much underwriting risk capital is being consumed by the product or scheme under review and includes comparison of the scheme risk capital to the available capital headroom. Return on equity calculations drive underwriting focus towards items which deliver an appropriate return on capital.

Underwriting risk is monitored by:

The Company has a Board approved risk appetite statement that includes the monitoring of the Underwriting metrics below, which are monitored within appropriate governance forums. This monitoring provides assurance that the Company is ultimately operating within the Board approved risk appetite and remaining within the budgeted capital plan.

Line of Business	Risk Metric	Green	Amber	Red
Travel	Aggregated Commission Rate – movement from budgeted capital plan	≤2.5%	2.5% - 5%	>5%
Health		≤5%	5% - 10%	>10%
Multi-Lines		≤2.5%	2.5% - 5%	>5%
Travel	GWP Actual Vs Budget (Forecast Outturn)	±5%	±5% - 10%	±≥10%
Health		±5%	±5% - 10%	±≥10%
Multi-Lines		±5%	±5% - 10%	±≥10%
Travel	Aggregated Net Loss Ratio (Claims Incurred / Net Earned Premium) – movement from budgeted capital plan	<1.25%	1.25% - 2.5%	>2.5%
Health		≤5%	5% - 10%	>10%
Multi-Lines		<1.25%	1.25% - 2.5%	>2.5%

C.2 Market Risk

Market risk arises from fluctuations in the market value of, or income from, the Company's assets. AIL has exposure to the following types of market risk:

- Currency risk – AIL is exposed to currency risk in respect of liabilities under policies of insurance and reinsurance contracts denominated in currencies other than sterling. Exposure has reduced significantly as the AIL reinsurance of CIEL runs-off, reducing from £1,240k to £256k. AIL manages its foreign exchange risk against its functional currency. Foreign exchange exposure arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not AIL's functional currency.

Market risk includes a charge relating to an outstanding loan made with Collinson International Limited, which has reduced the market risk charge as a proportion of the loan has been repaid. Concentration risk is the largest element representing £2,905k in FY22, which has again reduced (FY21 £4,314k) predominately due to the CIL loan repayments.
This will be repaid fully in FY23 and will decrease the market risk charge during the financial year ahead. Cash exposures are considered within the Counterparty Risk module.

The table below shows the Market Risk charge for year ending 30th April 2022 and percentage of the undiversified base SCR with a comparison to the previous financial year.

	FY22		FY21		Change	
	£'000	BSCR %	£'000	BSCR %	£'000	BSCR %
Market risk	£2,937	21%	£4,507	26%	(£1,571)	(5%)

The Company does not use derivative instruments to manage exposure to foreign currencies, instead its ongoing monitoring of non-Sterling asset and liability exposure and rebalancing any surplus / deficit positions allows the Company to control currency exposure. The investment strategy is to invest funds in deposits with a duration of less than one year, reducing exposure to liquidity risk and ensuring that around 56% of total cash balances are either immediately accessible or held in overnight deposit accounts. This reduces the liquidity risk faced as funds are readily available especially within a stressed scenario.

Prudent person principle

The Company is required, and strictly follows, the prudent person principle to invest the assets used to cover its respective MCRs and SCRs. The prudent person principle defines that the assets must be invested in a manner that a 'prudent person' would – that is that the decisions are generally accepted as being sound for the average person.

Market Risk is mitigated by:

- The Investment Strategy defines the currencies in which underlying investment assets may be held.
- Surplus currency bank and cash positions are monitored and rebalanced by the treasury function when any surplus or deficit positions arise.
- The Finance and Investment Committee (FIC) also monitors the level of exposure to foreign currency against risk appetite and the approved business plan.
- The overall level of current and forecast exposure to foreign currencies across the balance sheet and the impact this has, or may have, on the regulatory capital is monitored by the Risk and Capital Committee (RCC).
- The Company does not currently use derivatives to manage currency exposure.
- The banks used currently have a credit rating of A or higher.
- Significant cash holdings are held across a number of banks.
- The Company limits its investment with each bank in accordance with its risk appetite.

Market risk is monitored by:

A monthly review of concentration limits is undertaken by the Operational Cash Management team, who provide quarterly reporting to the Finance Leadership Team. This assists with remaining within risk appetite and acts as an early warning to potential stress events. The Board approved risk appetite statement includes the monitoring of the Market, Investment and Liquidity risk metrics below, which are monitored within appropriate governance forums. Remaining within the key metrics below provides assurance that the Company is ultimately operating within the Board approved risk appetite and remaining within the budgeted capital plan.

Risk Metric	Green	Amber	Red
Currency exposures metric (gross) on asset values against forecast	≤90%	90% - 125%	>125%
Diversification: Number of Institutions	>2	2	<2
Concentration: Amount per investment	≤£9m	£9m - £10m	>£10m
Counterparty rating (S&P)	>-A	-	BBB
Liquidity Buffer (stressed cashflow scenarios)	>100%	90 – 100%	<90%,

C.3 Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Reinsurer's share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from policyholders;
- Amounts due from insurance intermediaries; and
- Cash held with banks and term deposits.

The table below shows the Counterparty Risk charge for year ending 30th April 2022 and percentage of the undiversified base SCR with a comparison with the previous financial year.

	FY22		FY21		Change	
	£'000	BSCR %	£'000	BSCR %	£'000	BSCR %
Counterparty risk	£1,653	12%	£1,909	11%	(£256)	1%

The Company manages the level of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to regular review.

- The banks used by AIL currently have a credit rating of A or higher;
- Significant cash holdings are held across a number of banks;
- The Company limits its investment with each bank in accordance with its risk appetite;
- Regular monitoring of cash balances and concentration limits is managed by the Operational Cash Management team reporting to the Finance Leadership Team;
- A minimum reinsurer credit agency rating (A.M. Best) of A- and the Company's principal Quota Share reinsurer has a rating of A+;
- The Excess of Loss reinsurance panel comprises of reinsurers with a minimum credit rating of A-. The panel is composed primarily of Lloyd's reinsurers;
- The Board Policy is to maintain intercompany debt with other Collinson entities at a minimum reducing counterparty credit exposure;
- Exposure to credit risk in respect of amounts due from policyholders is mitigated by the Company's large customer base and the low average level of balances outstanding. The Company is not exposed to concentrations of credit risk in respect of policyholders; and
- The RCC meets on a quarterly basis and is responsible for monitoring that these risks remain within risk appetite.

C.4 Liquidity Risk

Liquidity risk is the risk that AIL, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

Liquidity risk is not explicitly included within the standard formula SCR calculation and is not considered a material risk to the Company as the assets to support its risks and capital requirements are held in cash deposits with banks with a current credit rating of A or higher. The Company considers the composition of its assets in terms of their nature and liquidity to be appropriate and sufficient to meet its obligations as they fall due.

The Company manages the level of liquidity risk by having:

- Liquidity and Asset Liability Management Policies in place;
- Monthly cash forecast;
- Monthly report of cash and liquid balances presented to the Board;
- ALM (currency) forecast on quarterly basis;
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance contract obligations; and
- During the period ended 30 April 2022 AIL was not exposed to significant liquidity risk.

C.5 Operational Risk

Operational Risk Level 1 Class in the Company's Risk Universe is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition includes legal risk but excludes strategic and reputational risk. To operate efficiently the Company recognises that it needs to have a robust framework in place to manage operational risk. The framework is underpinned by an Operational Risk Policy. The following are the Board Policy Statements that have been implemented to manage Operational Risk:

Risk Culture: The Board and Executive Management will seek to lead the Company in delivering a strong risk management culture.

Risk Framework: The Risk function will seek to develop, implement and maintain a risk framework and standards that align to regulatory requirements.

Risk Identification: The Company will seek to use appropriate risk management tools to identify actual, potential or emerging risks in all material products, activities, processes and systems.

Risk Assessment: The Company will seek to use appropriate risk management tools to assess risks in all material products, activities, processes and systems to ensure that risks are properly understood.

Risk Control: The Company will seek to use appropriate internal controls e.g. policies, processes and systems and appropriate risk mitigation and transfer strategies to manage its operational risks.

Risk Events: The Company will seek to ensure that incidents are identified, escalated and effectively managed within agreed parameters.

New Product Approval: The Company will seek to ensure that new products, material changes to existing products and associated operational implications are assessed for risk.

Risk Reporting: The Company will seek to regularly monitor its risk profile and material exposure to losses.

Operational Resilience: The Company will seek to maintain robust operational, cyber and technological resilience for both its in-house processes and activities and those undertaken by its partners.

As a standard formula company, the Operational Risk SCR charge is primarily driven by premium volumes especially premium volume growth. The table below shows the Operational Risk charge for year ending 30th April 2022 and percentage of the SCR with a comparison with the previous financial year.

	FY22		FY21		Change	
	£'000	SCR %	£'000	SCR %	£'000	SCR %
Operational Risk	£1,337	10%	£1,333	8%	(£5)	2%

The Company seeks to mitigate the risk with the implementation of a robust operational risk framework which is consistent, effective, economic and proportionate to the nature, scale and structure of the business. The framework is supported by an Operational Risk Policy and procedures detailing clear roles and responsibilities to support staff in undertaking their "business as usual" activities whilst managing the "day to day" operational risks.

C.6 Other Material Risks

Other risks that could impact the Company's ability to meet its business plan are:

Strategic Risk

Strategic Risk, defined as "failure to set and implement an appropriate strategy", has been assessed as within the Company's risk appetite. To this extent, whilst not explicitly modelled, the consequences of inappropriate strategic decisions will be assessed within each risk contributing to the SCR.

Group Risk

The Company is dependent upon on the wider Collinson Group for the provision of the following services directly associated with the sale of insurance and servicing of policy obligations.

- Underwriting and pricing;
- Claims handling;
- Policy administration;
- Investment management and treasury; and
- Finance, accounting, reserving and tax.

In addition, Collinson Group provides services which indirectly support the sale of insurance and servicing of policy obligations.

- Property and infrastructure;
- Information systems; and
- Data management.

Collinson Group remains committed to funding the working capital and business growth of AIL, with the Insurance Division and AIL contains key components of the Collinson Group's strategy.

Operating Costs (non-technical)

The Company's current and planned operating model, over the current three-year forecast cycle, is to outsource the provision of key operational activities, including:

- Underwriting and pricing;
- Claims handling;
- Finance, actuarial reserving and taxation;
- Policy administration; and
- Investment management and treasury.

The current outsourcing arrangement in respect of operating costs (non-technical in nature) is with CISL. CISL is the legal entity through which the Collinson Group performs managing agency business in the UK. CISL also acts as service company to AIL along with other divisional legal entities. These divisional entities perform a range of services such as insurance brokerage, claims management and policy administration.

There is a separate profit commission agreement between AIL and CISL covering the respective arrangements in place for the profit commission paid to CISL for the provision of insurance administration services to AIL. The basis of this profit commission is AIL retain a 4.5% fronting fee on retained net earned business written, with the balance of underwriting profit being paid as profit commission to CISL. (Note: there is a guaranteed profit commission of 10% to CISL and in effect a "corridor", of 85.5% to 61%, where the profit commission paid is restricted. Typically, our loss ratio is 75% and the corridor limits are not breached).

This model means, that subject to the upper corridor limit (85.5%) not being breached, then AIL will make a profit before FX and interest. This is reflected in the future forecasts which show a steady profit stream and increase in own funds, within well capitalised SII funds. For CISL, the profit commission received is variable depending on underwriting performance of the overall portfolio.

AIL therefore has a significant inter-dependence with CISL to enable the Company to deliver the services to its ultimate clients, including the provision of insurance administration services. AIL works closely with CISL to satisfy itself that it continues to have the economic and operational resources to continue to meet their obligations to the Company.

Emerging risks

The Company uses a Strategic Risk Radar to enable the timely identification, assessment and proactive management of material business risks that have the potential to adversely impact strategic delivery. This approach considers risks in four thematic groups:

- **Strategic:** Material risks to business strategy (e.g. market changes, shifts in the competitive landscape, changes in consumer behaviour.);
- **Financial:** Material risks to financial performance (e.g. macroeconomic conditions.);
- **Compliance:** Material regulatory and/or legal changes that will impact the Insurer's strategy; and
- **Operational & Conduct:** Material risks that may have operational and/or customer impacts.

It is a dynamic and iterative tool that is subject to regular review and challenge by Executive management and the Board.

C.7 Any other information

The Board do not consider that there is any further information which should be disclosed.

D. Valuation for Solvency Purposes

The Group does not prepare separate consolidated GAAP accounts but the Group Companies each prepare Solo accounts on a UK GAAP basis. The Group and Solo Solvency II balance sheets have been prepared in accordance with fair value valuation principles contained in the Solvency II Directive (2009) and Solvency II Delegated Acts (2015 and 2019).

The structure and underlying assets and liabilities within the consolidated AIHL (Group) and the Company (Solo) GAAP and Solvency II balance sheets are identical except for a single asset position held in the group balance sheet of a receivable of £0.1k (2021: £0.1k). The receivable is due from a Collinson Group undertaking. Accordingly, this section does not differentiate between the Solo and Group balance sheet, with reference being made to the Group balance sheet (except for UK GAAP and Solvency II balance sheets which contains information about the Company balance sheet).

D.1 Assets

The Group values all assets and liabilities at fair value within the Solvency II balance sheet. Fair value is the value at which knowledgeable and willing parties could exchange assets and liabilities in an arm's length transaction. Fair value is best demonstrated by reference to quoted market prices. Where, due to a lack of liquidity in the market for a class of asset, fair value cannot be established from market prices, an alternative valuation approach to determine fair value is required. As at 30 April 2022, the Group did not hold any financial investments, the fair value of which could not be determined from market prices. Where assets and liabilities not actively traded in markets are to be settled by payment or receipt of cash, fair value is calculated by means of discounting future cash flows by a risk adjusted discount rate. Where the impact of discounting is not material, cash flows are not discounted. In the valuation of liabilities other than technical provisions, there has been no adjustment in the valuation for changes in the credit standing of the Group or the Company.

Deferred acquisition costs ("DAC") of £15,610k, reflected as an asset on the UK GAAP balance sheet, is not recognised as an asset on the Solvency II balance sheet, as DAC does not have the capacity to absorb losses. Where cash flows from insurance receivables are not yet due, the value of these cash flows is reclassified from insurance receivables and included in technical provisions.

Liabilities on the UK GAAP balance sheet include insurance payables containing commission related amounts that are not yet due and as a result they form part of the technical provisions. In line with the asset side of the balance sheet Reinsurers share of DAC ("RI DAC") (£11,472k) disclosed within the "Any other liabilities not shown elsewhere" section of the balance sheet is not recognised as a liability on the Solvency II balance sheet.

The table below shows AIL's summary balance sheet under Solvency II alongside the balance sheet under UK GAAP with the differences in asset and liability valuations and presentation between the two regimes presented in the final column. Consolidated UK GAAP financial statements are not currently prepared and accordingly the Group Solvency II balance sheet has not been presented.

Assets	Solvency II	UK GAAP	Variance
	£'000	£'000	£'000
Deferred acquisition costs	-	15,610	(15,610)
Financial investments	14,111	14,101	10
Loans and mortgages	4,040	-	4,040
Reinsurance assets (Reinsurers share of TP's)	(1,099)	26,238	(27,337)
Receivables insurance	2,824	27,777	(24,953)
Receivables reinsurance	-	377	(377)
Receivables trade not insurance	-	10	(10)
Cash and cash equivalents	14,661	14,661	-
Deferred tax asset	647	588	59
Other Assets	197	197	-
Total assets	35,381	99,559	(64,178)

Liabilities	Solvency II	UK GAAP	Variance
	£'000	£'000	£'000
Technical provisions non-life	7,604	39,472	(31,868)
Insurance payables	3,272	11,879	(8,607)
Reinsurance payables	-	11,979	(11,979)
Payables trade not insurance	2,152	2,152	-
Other liabilities	-	11,472	(11,481)
Total liabilities	13,028	76,954	(63,925)
Excess of assets over liabilities	22,353	22,605	(252)

Financial investments

Comprise short term highly liquid financial investments valued at fair value for both UK GAAP and Solvency II, are readily convertible to known amounts of cash and subject to insignificant risk of a change in value.

Loans and mortgages

Comprise of a loan to Collinson International Limited, a related entity within the wider Collinson Group. The loan was for a maximum principal of £7,000k and is repayable on demand. As at the reporting date £4,000k was outstanding.

Cash and cash equivalents

Consist of demand deposits with banks and cash on hand and are valued at fair value for both UK GAAP and Solvency II.

Receivables insurance

Solvency II receivables insurance represent cash flows from intermediaries and policyholders which are due or have become overdue.

Receivables trade not insurance

Trade receivables represent cash flows due from insurance service providers and administrators including CISL who provide the Company with a number of outsourced functions as noted in Section B.7 of this report. Receivables are valued on a fair value basis within both the UK GAAP and Solvency II balance sheet. Fair value is derived from discounting future cash flows using a risk adjusted discount rate. Where the impact of discounting is not material, (i.e. cash flows take place within one year) cash flows are not discounted.

Deferred tax asset

Tax losses and other deferred tax assets are only recognised by the Company/the Group to the extent that it is probable that such assets can be offset against future arising tax liabilities and or future taxable profits. A deferred tax asset of £647k was recognised as at the end of the reporting period. At 30 April 2022, AIL has unused tax losses of £8,910k.

D.2 Technical Provisions

The following table details the Company's technical provisions (TPs):

£'000	Medical Expenses	Assistance	Miscellaneous Financial Loss	Fire & Other Damage	Income Protection	Total
Claim Provisions	(158)	5,436	897	454	185	6,814
Premium Provisions	1,050	(874)	700	(503)	9	383
Total Best Estimate	**892**	**4,563**	**1,598**	**(50)**	**194**	**7,197**
Risk Margin	39	163	158	38	8	407
Technical Provisions – Total	932	4,726	1,756	(12)	202	7,604
Total Recoverable from Reinsurance	86	1,229	(1,628)	(827)	41	(1,099)
Technical Provisions – Net of Reinsurance	**845**	**3,497**	**3,384**	**815**	**161**	**8,703**

The value of TPs corresponds to the current amount an insurer would have to pay if it were to transfer its obligations immediately to another Solvency II undertaking. TPs are the sum of the best estimate liabilities (BEL) and the risk margin. Best estimate corresponds to the probability-weighted average of future cash flows, taking into account the time-value of money using the relevant risk-free rate term structure. The bases, methods and assumptions used for the valuation of TPs are as follows:

Calculation Basis

- Calculations are carried out on a going-concern basis;
- Insurance exposure is split into five lines of business; Medical Expenses, Assistance, Miscellaneous Financial Loss, Fire & Other Damage to Property and Income Protection;
- TPs are calculated as best estimate cash flow projections of all inflows and outflows required to settle liabilities. The time horizon for the calculations is the full lifetime of liabilities that exist on the valuation date;
- Cash flows are discounted using the EIOPA basic risk-free rates (without the matching adjustment and volatility adjustment). It is assumed that, on average, cash flows occur at the end of each year; and
- Best estimate calculations are at homogenous risk group level by scheme and scheme year and are based on up-to-date credible information and realistic assumptions. The quality and sufficiency of data underlying the calculation is compliant with SII standards.

Best Estimate

- The TPs, so far as concerns this element, are on a best estimate basis, and
- The best estimate consists of a claims provision and premium provision for business on risk at the valuation date.

Claim Provisions

- The claims provisions are calculated as the discounted best estimate of all future cash flows relating to existing claims that occurred on or prior to the valuation date (i.e. claims on earned business);

- The provision for claims outstanding is the underlying best estimate, as calculated within the UK GAAP reserves using a combination of actuarial and statistical techniques, including Chain Ladder and Bornhuetter-Ferguson techniques;
- The following adjustments are made in the best estimate claims provisions:
- Remove any management margin within held reserves;
- Allow for low probability high severity events, referred to as Events Not In Data ("ENIDs");
- Include SII expenses required for the run-off of reserves, and
- Discount cash flows.

Premium Provisions

- The premium provisions are calculated as the discounted best estimate of all future cash flows relating to claims for projected future events on existing business (i.e. claims on the unearned business);
- The premium provisions also include the discounted best estimate of all future cashflows on bound but not incepted ("BBNI") business;
- Cash flows are projected in line with all insurance obligations related to future exposure until contract boundaries, and lapses and mid-term cancellations are allowed for as per business expectations; and
- The following adjustments are made in the best estimate premium provision:
  - Allow for ENIDs;
  - Include SII expenses required for the run-off of reserves, and
  - Discount cash flows.

Risk Margin

- The Risk Margin is included as a component of the technical provisions in order to ensure that the value of total technical provisions is equivalent to the amount that another insurance or reinsurance undertaking would be expected to require in order to take over and meet the insurance and reinsurance obligations.
- The Risk Margin has been calculated in accordance with simplification 3 within the EIOPA guidance, which assumes the SCR will proportionally decrease based on the run-off pattern of net claims payments.

Reinsurance Recoverables

- TPs are calculated gross, and the reinsurance recoverable asset is calculated using a similar corresponding approach, consistent with the boundaries of the inwards contracts to which those relate. Additionally, future reinsurance costs are adjusted where necessary to allow for contractual obligations of non-proportional reinsurance contracts.
- The reinsurance recoverable asset has been adjusted to allow for the best estimate probability of reinsurer default. Reinsurance recoverables relate to insurance liabilities ceded to A rated reinsurers for quota share, and a panel of A-rated reinsurers for excess of loss reinsurance.

Level of uncertainty associated with the amount of TP's

The key assumptions that may impact the Technical Provisions are detailed below along with the comments regarding the materiality of these assumptions.

- **Assumed loss ratio**: Loss ratios are calculated by scheme and reviewed and approved by the Reserving Committee.
- **Settlement period**: Claims settlement patterns are calculated by scheme and based on historical data. The settlement patterns feed into the Technical Provisions to split out the future cashflows by period.
- **Discount rate**: Current yields are very low and close to zero, which means that almost no discounting is applied to the Technical Provisions given the risks underwritten by the Company are short-tailed.
- **Expenses**: The total expense involved in the operation of the Company is small compared with other elements in the calculation of the technical provisions.
- **Reinsurance**: It is assumed that the reinsurance will perform as expected, although the technical provisions include an allowance for bad debt.

- **ENIDs**: Events not in Data ("ENIDs") are calculated based on benchmarking for each line of business underwritten by AIL. The amount calculated is small compared with other elements in the calculation of the technical provisions.

Reconciliation between UK GAAP and Solvency II valuation

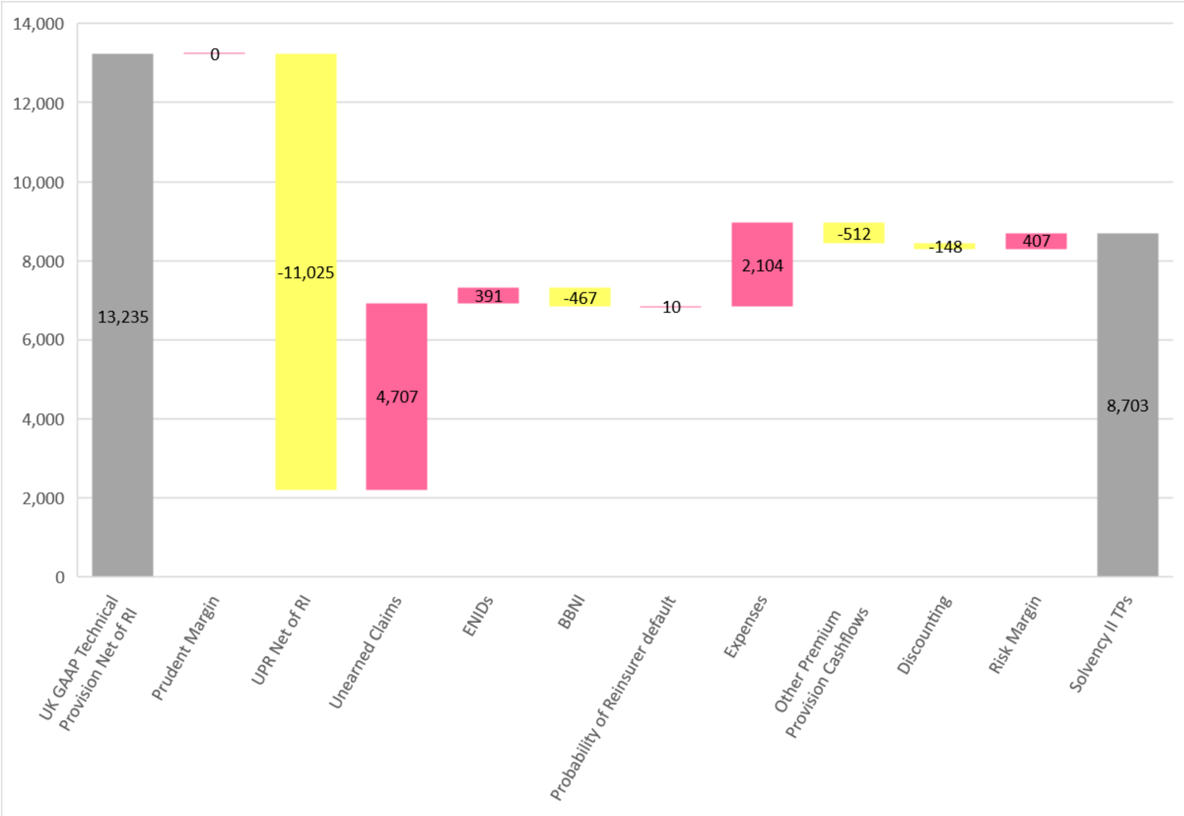
The table below shows the comparison between UK GAAP and SII valuations:

£'000	UK GAAP Value						Solvency II Value					
	Medical Expense	Assist-ance	Misc. Financial Loss	Fire & Other Damage	Income Protection	Total	Medical Expense	Assist-ance	Misc. Financial Loss	Fire & Other Damage	Income Protection	Total
Provision for claims outstanding	(139)	5,209	869	442	181	6,562						
Provision for unearned premium	233	24,560	5,573	2,534	10	32,910						
Best estimate Claims Provision							(158)	5,436	897	454	185	6,814
Best estimate Premium Provision							1,050	(874)	700	(503)	9	383
Risk Margin							39	163	158	38	8	407
Gross Technical Provisions	**94**	**29,943**	**6,100**	**3,285**	**50**	**39,472**	932	4,726	1,756	(12)	202	7,604
Recoverables from Reinsurance	(309)	(20,161)	(3,522)	(2,246)	-	(26,238)	86	1,229	(1,628)	(827)	41	(1,099)
Net Technical Provisions	**(215)**	**9,782**	**2,578**	**1,040**	**50**	**13,234**	845	3,497	3,384	815	161	8,703

- TPs within the UK GAAP financial statements consist of a provision for claims outstanding and provision for unearned premium;
- The provision for claims outstanding is an estimate of the ultimate cost of settling all claims which have occurred up to the statement of financial position date. Claims incurred but not yet paid are included based on a best estimate value plus any general provisions for adverse development (prudent margin) if applicable; and
- The provision for unearned premium represents the proportion of premiums written but not yet earned for the unexpired elements of the underlying risks.

The waterfall below illustrates the movement from UK GAAP to SII valuation:

Comparison of UK GAAP and SII Technical Provisions as at 30 April 2022 – Net of Reinsurance



Key for waterfalls: increase in TP's reduction in TP's

Please note that within the above waterfall the UK GAAP Technical provisions value of £13,250k does not include either DAC or reinsurers' share of DAC. The difference between UK GAAP and Solvency II valuations are caused by the differences between the bases, methods, and main assumptions used. In particular, the following adjustments are made to convert UK GAAP provisions to Solvency II best estimate:

- Remove prudent margin;
- Adjust the provision for unearned premium to represent proportion of unearned premiums that relate to the unearned claims only (best estimate view);
- Allow for ENIDs;
- Allow for BBNI;
- Allow for the probability of reinsurer defaulting;
- Provide for Solvency II run-off expenses;
- Movement in "other premium provisions cash flows", includes future expected net cash flows in respect of premium instalments, commissions, profit shares, and reinsurance;
- Movement in creditors/debtors;
- Discount the cash flows; and,
- Include a risk margin.

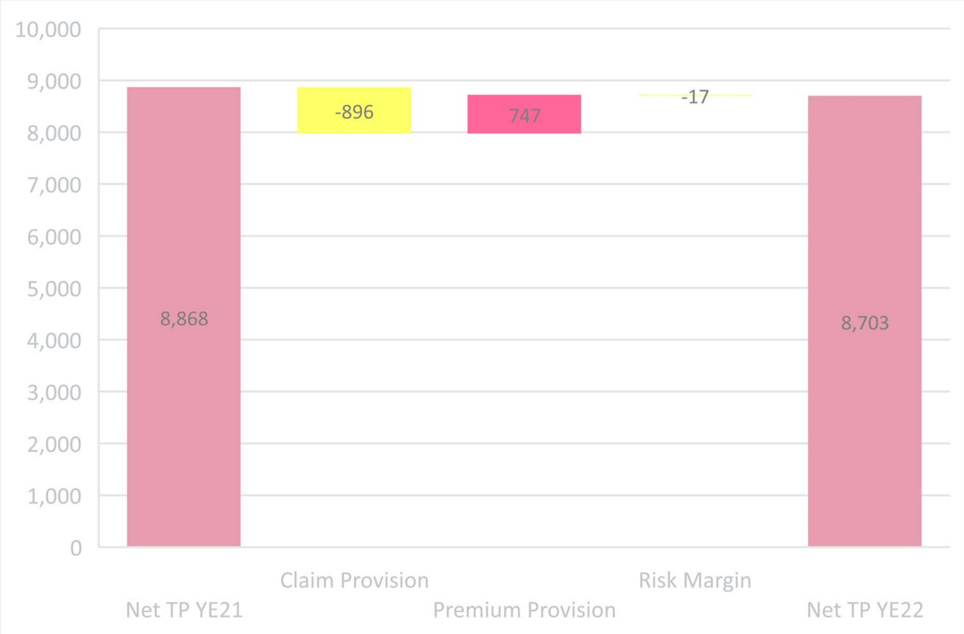
Matching adjustment, volatility adjustment and transitional provisions

The Company does not utilise any of these arrangements.

Changes to technical provisions from previous reporting period

The following graph shows the walk from year end 2021 Solvency II TPs to year end 2022 Solvency II TPs.

SII Technical Provisions FY21 to FY22 – Net of Reinsurance



Reinsurance

The Company's reinsurance program comprises of two components – Risk Excess of Loss (XOL) and Quota Share (QS) reinsurance. The Company has two XOL treaties, one covering International Private Medical and another for Travel Insurance as ordinarily these are the only products exposed to large losses. The treaties are placed predominantly into the Lloyd's and London reinsurance market. For the QS programme we strictly adhere to our appetite in terms of security of reinsurers with all our reinsurers being A-rated or better.

Claims Management Procedures

Claims management procedures utilised by AIL are broadly similar year on year and incorporate both direct and indirect costs associated with the management and settlement of claims.

D.3 Other Liabilities – Solvency II balance sheet

Insurance Payables

Under Solvency II this balance represents cash flows to intermediaries and policyholders which are now due.

Payables trade not insurance

Consist of amounts due to other Collinson Group companies including CISL in respect of administration and support services, the settlement of which is expected to occur imminently.

D.4 Alternative methods for valuation

The Group does not use any alternative methods for valuation of assets or liabilities.

D.5 Any other information / disclosures

There are no other material information relating to valuation of assets or other liabilities, and there have been no material changes in the valuation of assets or liabilities during the year.

Data Quality

Given that the Company utilises the Solvency II Standard Formula, the integrity of the model is validated by the Actuarial Function. All data pertaining to the calculations is managed, monitored and controlled by the Finance Function in conjunction with the Actuarial Function. There are no data deficiencies noted in the calculation and valuation of technical provisions for Solvency II purposes.

E. Capital Management

E.1 Own Funds

The Group classifies its own funds as Tier 1, Tier 2 or Tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses. In all cases below, the reconciliation reserve represents retained earnings and reconciliation adjustments from GAAP balance sheet to Solvency II balance sheet.

Unrestricted own funds are only permitted to cover the Minimum Capital Requirement (MCR), which is shown in the below tables as £21,706k for the Company. In addition, to Tier 1 capital the Company have a deferred tax asset of £647k classed as Tier 3, which increases the total own funds to £22,353k.

AIL Own funds	Own Funds Quality	FY22	FY21	Variance
		£'000	£'000	£'000
Share capital issued and fully paid	Tier 1	16,000	16,000	-
Reconciliation reserve	Tier 1	5,706	6,496	(790)
Unrestricted Own Funds		**21,706**	**22,496**	**(790)**
Deferred tax asset	Tier 3	647	266	381
Total Own Funds		**22,353**	**22,762**	**(409)**

Unrestricted own funds are only permitted to cover the Minimum Capital Requirement (MCR), which is shown in the below tables as £21,706k for the Group. In addition, to Tier 1 capital the Group have a deferred tax asset of £647k classed as Tier 3, which increases the total own funds to £22,353k

AIHL Own funds	Own Funds Quality	FY22	FY21	Variance
		£'000	£'000	£'000
Share capital issued and fully paid	Tier 1	23,615	23,615	-
Reconciliation reserve	Tier 1	(1,909)	(1,119)	(790)
Unrestricted Own Funds		**21,706**	**22,496**	**(790)**
Deferred tax asset	Tier 3	647	266	381
Total Own Funds		**22,353**	**22,762**	**(409)**

The movement between share capital and reserves as reflected in the AIL UK GAAP balance sheets as at 30 April 2022 and the excess of assets over liabilities as presented in the Group and Company Solvency II balance sheets as at 30 April 2021 is presented in the table below.

Analysis of basic own funds (Solo)	FY22	FY21
	£'000	£'000
Issued share capital	16,000	16,000
Retained earnings	6,605	6,946
Total capital and reserves	**22,605**	**22,496**
Adjustments to move to SII valuation:		
Technical provisions & DAC, difference in valuation GAAP vs. SII	(310)	(233)
GAAP assets not recognised on the Solvency II balance sheet: prepayments	59	40
GAAP liabilities not recognised on the Solvency II balance sheet	-	-
SII asset surplus (i.e. SII assets less SII liabilities)	**22,353**	**22,762**

No own funds items are subject to transitional arrangements. At 30 April 2022 and at 30 April 2021, the Group or Company did not have any ancillary own funds. There are no restrictions affecting the transferability of own funds at a Group or Solo level.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

In the Executive Summary and Risk Profile sections of this document it is highlighted that the risk profile and underlying businesses of the Group and Company are the same, accordingly for the remainder of this section of the document no distinction between Group and Company is made.

The table (below) summaries the components of the MCR, as at 30 April 2022.

Minimum Capital Requirement	FY22 £'000	FY21 £'000	Variance £'000
Absolute floor MCR	2,112	2,255	(143)
Linear MCR	4,168	4,042	126
SCR	12,377	14,494	**(2,117)**
Combined MCR	4,168	4,042	126
MCR	**4,168**	**4,042**	126

The Company has £21,706k of unrestricted own funds to cover the MCR, which generates a MCR coverage ratio of 521%.

The Group and Company both use the standard formula as the basis for calculating the SCR. During the year both the Group and the Company continue to keep under review the assumptions underpinning the standard formula and assessment that the continued use of the standard formula to calculate the SCR remains appropriate.

As set out in the EIOPA Directive the Group's solvency position is calculated using method 1 ("accounting consolidation-based method"). No group diversification effects arose on consolidation. Both the Group and Company held £22,353k of eligible unrestricted own funds to cover the SCR at 30 April 2022 (the SCR at 30 April 2022 is the same for both the Group and Company), both the Group and Company held sufficient capital to cover the SCR throughout the reporting period.

The table below contains the risk modules that comprise the Company's SCR of £12,377k as at 30 April 2022 (30 April 2021: £14,494k), after taking diversification credit. Own funds were £22,353k as at 30 April 2022 providing an SCR coverage ratio of 181%.

Solvency Capital Requirement	FY22 £'000	FY21 £'000	Variance £'000
Non-Life Underwriting	8,878	9,898	(1,020)
Health Underwriting	546	1,285	(739)
Market Risk	2,937	4,507	(1,571)
Counterparty Default	1,653	1,909	(256)
Undiversified BSCR	**14,014**	**17,600**	**(3,585)**
Diversification	(2,975)	(4,439)	1,464
Base SCR	**11,039**	**13,161**	**(2,121)**
Operational Risk	1,337	1,333	(5)
SCR	**12,377**	**14,494**	**(2,117)**
Own Funds	22,353	22,762	(409)
SCR Coverage Ratio	**181%**	**157%**	**24%**

The undiversified base SCR has reduced by 20% during the financial year to 30th April 2022 with the base SCR falling by 16% during the same period. This has been predominately driven by a reduction in the net of reinsurance exposure on non-life underwriting risk, the run-off of the health business reducing health underwriting risk and market (currency) risk, and a reduction in market (concentration) risk due to the reduction in the loan balance owed by Collinson International Limited (CIL).

The reduction in non-life underwriting is predominately the result of changes in the underlying business mix, with premium and reserves for the 'assistance' line of business increasing whilst they have reduced for the 'fire & other damage to property' and the 'miscellaneous financial loss' lines of business. Health underwriting risk continues to reduce as these lines of business, including the reinsurance of some CIEL health schemes by AIL, continue to run-off.

Underwriting Specific Parameters (USPs)

The Group/Company did not use any underwriting specific parameters in the standard formula calculation.

Capital add-on

Neither the Company nor the Group have a capital add on, as the risk profiles of the Company and the Group do not deviate significantly from the assumptions underpinning the calibration of the standard formula.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The duration-based method of calculating the equity risk sub-module has not been used.

E.4 Differences between the standard formula and any internal model used

An internal model has not been used by either the Company or the Group. The standard formula has been used to calculate the SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

During the financial year ended 30 April 2022 there were no instances during which the Group / Company were not compliant with both the MCR and SCR.

E.6 Any other information

Deferred tax assets

A deferred tax asset of £647k is recognised within the Solvency II balance sheet. Under Solvency II a deferred tax asset is recognised on the differences between the valuations of assets and liabilities under Solvency II and their corresponding tax base.

The Company deem it more than likely that the deferred tax asset recognised will be utilised in full over the coming twelve months against future operating profits. In addition, the deferred tax asset has been recognised within the Group's basic own funds (as set out in section E.2) as Tier 3 capital. This equates to approximately 1% of the total own funds and within EIOPA guidelines that limits the deferred tax recognition to no more than 15% of eligible own funds.

Loss absorbing capacity of deferred tax

No allowance has been made for the loss absorbing capacity of deferred tax within the SCR calculations.
Neither the Company, nor the Group, have other material information to disclose.

Appendix 1 – AIHL Quantitative Reporting Templates (QRTs)

S.02.01 Balance Sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	647,170
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	14,111,112
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities – listed	R0110	-
Equities – unlisted	R0120	-
Bonds	R0130	-
Government Bonds	R0140	-
Corporate Bonds	R0150	-
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	14,111,112
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	4,039,865
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	4,039,865
Reinsurance recoverables from:	R0270	-1,099,027
Non-life and health similar to non-life	R0280	-1,099,027
Non-life excluding health	R0290	-1,226,038
Health similar to non-life	R0300	127,011
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	2,824,218
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	-
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	14,661,115
Any other assets, not elsewhere shown	R0420	196,667
Total assets	R0500	35,381,119

E. Capital Management (continued)

Liabilities		
Technical provisions – non-life	R0510	7,603,948
Technical provisions – non-life (excluding health)	R0520	6,470,253
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	6,110,647
Risk margin	R0550	359,606
Technical provisions - health (similar to non-life)	R0560	1,133,695
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	1,086,658
Risk margin	R0590	47,037
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	3,272,622
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	2,151,782
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	-
Total liabilities	R0900	13,028,352
Excess of assets over liabilities	R1000	22,352,767

S.05.01 Premiums, claims and expenses

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Total
		Medical expense insurance	Income protection insurance	Fire and other damage to property insurance	Assistance	Miscellaneous financial loss	
		C0010	C0020	C0070	C0110	C0120	C0200
Premiums written							
Gross - Direct Business	R0110	362,381	709,520	3,438,971	39,357,789	20,734,697	64,603,358
Gross - Proportional reinsurance accepted	R0120	-60,005	-	-	24,593	-	-35,412
Gross - Non-proportional reinsurance accepted	R0130						-
Reinsurers' share	R0140	179,111	363,433	1,444,185	26,685,400	7,980,380	36,652,508
Net	R0200	123,265	346,088	1,994,786	12,696,982	12,754,316	27,915,438
Premiums earned							
Gross - Direct Business	R0210	292,142	710,971	3,403,585	20,080,428	18,794,333	43,281,459
Gross - Proportional reinsurance accepted	R0220	1,223,214	-	-	74,481	-	1,297,695
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	96,778	334,556	901,529	11,400,067	5,069,416	17,802,345
Net	R0300	1,418,578	376,414	2,502,056	8,754,842	13,724,917	26,776,809
Claims incurred							
Gross - Direct Business	R0310	139,269	96,851	481,800	7,366,632	6,613,009	14,697,562
Gross - Proportional reinsurance accepted	R0320	185,669	-	-	-62,598	-	123,072
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	-25,671	34,300	237,729	5,186,007	1,210,690	6,643,054
Net	R0400	350,609	62,551	244,072	2,118,028	5,402,319	8,177,579
Changes in other technical provisions							
Gross - Direct Business	R0410						
Gross - Proportional reinsurance accepted	R0420						
Gross - Non- proportional reinsurance accepted	R0430						
Reinsurers'share	R0440						
Net	R0500						
Expenses incurred	R0550	79,633	223,583	1,288,689	8,202,616	8,239,655	18,034,176
Administrative expenses							

Gross - Direct Business	R0610	2,777	7,797	44,942	286,062	287,354	628,934
Gross - Proportional reinsurance accepted	R0620						
Gross - Non-proportional reinsurance accepted	R0630						
Reinsurers' share	R0640						
Net	R0700	2,777	7,797	44,942	286,062	287,354	628,934
Investment management expenses							
Gross - Direct Business	R0710						
Gross - Proportional reinsurance accepted	R0720						
Gross - Non-proportional reinsurance accepted	R0730						
Reinsurers' share	R0740						
Net	R0800						
Claims management expenses							
Gross - Direct Business	R0810	6,109	17,151	98,858	629,238	632,080	1,383,436
Gross - Proportional reinsurance accepted	R0820	-	-	-	-		-
Gross - Non-proportional reinsurance accepted	R0830						
Reinsurers' share	R0840						
Net	R0900	6,109	17,151	98,858	629,238	632,080	1,383,436
Acquisition expenses							
Gross - Direct Business	R0910	107,574	302,034	1,740,865	11,080,750	11,130,786	24,362,008
Gross - Proportional reinsurance accepted	R0920						
Gross - Non-proportional reinsurance accepted	R0930						
Reinsurers' share	R0940	39,969	112,220	646,816	4,117,036	4,135,626	9,051,667
Net	R1000	67,605	189,813	1,094,049	6,963,714	6,995,159	15,310,341
Overhead expenses							
Gross - Direct Business	R1010	3,142	8,821	50,840	323,601	325,062	711,466
Gross - Proportional reinsurance accepted	R1020						
Gross - Non-proportional reinsurance accepted	R1030						
Reinsurers' share	R1040						
Net	R1100	3,142	8,821	50,840	323,601	325,062	711,466
Other expenses	R1200						
Total expenses	R1300						18,034,176

S.05.02 Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			IE	KE	
		C0080	C0090	C0090	C0140
Premiums written					
Gross - Direct Business	R0110	64,317,832		285,526	64,603,358
Gross - Proportional reinsurance accepted	R0120		-35,412		-35,412
Gross - Non-proportional reinsurance accepted	R0130				-
Reinsurers' share	R0140	36,595,377		57,132	36,652,508
Net	R0200	27,722,455	-35,412	228,395	27,915,438
Premiums earned					
Gross - Direct Business	R0210	43,100,362		181,097	43,281,459
Gross - Proportional reinsurance accepted	R0220		1,297,695		1,297,695
Gross - Non-proportional reinsurance accepted	R0230				-
Reinsurers' share	R0240	17,767,026		35,319	17,802,345
Net	R0300	25,333,336	1,297,695	145,778	26,776,809
Claims incurred					
Gross - Direct Business	R0310	14,483,720		213,841	14,697,562
Gross - Proportional reinsurance accepted	R0320		123,072		123,072
Gross - Non-proportional reinsurance accepted	R0330				-
Reinsurers' share	R0340	6,599,457		43,597	6,643,054
Net	R0400	7,884,263	123,072	170,244	8,177,579
Changes in other technical provisions					
Gross - Direct Business	R0410				-
Gross - Proportional reinsurance accepted	R0420				-
Gross - Non-proportional reinsurance accepted	R0430				-
Reinsurers' share	R0440				-
Net	R0500	-	-	-	-
Expenses incurred	R0550	17,853,834	9,017	171,325	18,034,176
Other expenses	R1200				
Total expenses	R1300				18,034,176

S.23.01 Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	23,615,400	23,615,400			
Non-available called but not paid in ordinary share capital at group level	R0020	-				
Share premium account related to ordinary share capital	R0030	-				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-				
Subordinated mutual member accounts	R0050	-				
Non-available subordinated mutual member accounts at group level	R0060	-				
Surplus funds	R0070	-				
Non-available surplus funds at group level	R0080	-				
Preference shares	R0090	-				
Non-available preference shares at group level	R0100	-				
Share premium account related to preference shares	R0110	-				
Non-available share premium account related to preference shares at group level	R0120	-				
Reconciliation reserve	R0130	-1,909,803	-1,909,803			
Subordinated liabilities	R0140	-				
Non-available subordinated liabilities at group level	R0150	-				
An amount equal to the value of net deferred tax assets	R0160	647,170				647,170
The amount equal to the value of net deferred tax assets not available at the group level	R0170	-				
Other items approved by supervisory authority as basic own funds not specified above	R0180	-				
Non available own funds related to other own funds items approved by supervisory authority	R0190	-				
Minority interests (if not reported as part of a specific own fund item)	R0200	-				
Non-available minority interests at group level	R0210	-				
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						
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					
Deductions						

Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	-				
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	-				
Deductions for participations where there is non-availability of information (Article 229)	R0250	-				
Deduction for participations included by using D&A when a combination of methods is used	R0260	-				
Total of non-available own fund items	R0270	-	-	-	-	-
Total deductions	R0280	-	-	-	-	-
Total basic own funds after deductions	R0290	22,352,767	21,705,597	-	-	647,170
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-				
Unpaid and uncalled preference shares callable on demand	R0320	-				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-				
Non available ancillary own funds at group level	R0380	-				
Other ancillary own funds	R0390	-				
Total ancillary own funds	R0400	-			-	-
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	R0410	-				
Institutions for occupational retirement provision	R0420	-				
Non regulated entities carrying out financial activities	R0430	-				
Total own funds of other financial sectors	R0440	-	-	-	-	
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	-				
Own funds aggregated when using the D&A and combination of method net of IGT	R0460	-				

Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	22,352,767	21,705,597	-	-	647,170
Total available own funds to meet the minimum consolidated group SCR	R0530	21,705,597	21,705,597	-	-	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	22,352,767	21,705,597	-		647,170
Total eligible own funds to meet the minimum consolidated group SCR	R0570	21,705,597	21,705,597	-		
Consolidated Group SCR	R0590	12,376,779				
Minimum consolidated Group SCR	R0610	4,168,423				
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)	R0630	1.8060				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	5.2071				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	22,352,767	21,705,597	-	-	647,170
SCR for entities included with D&A method	R0670					
Group SCR	R0680	12,376,779				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	2				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	22,352,767
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	24,262,570
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Other non available own funds	R0750	
Reconciliation reserve	R0760	-1,909,803
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	702,365
Total Expected profits included in future premiums (EPIFP)	R0790	702,365

S.25.01 Total SCR

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	2,936,897	2,936,897	
Counterparty default risk	R0020	1,653,022	1,653,022	
Life underwriting risk	R0030	-	-	
Health underwriting risk	R0040	546,340	546,340	
Non-life underwriting risk	R0050	8,877,981	8,877,981	
Diversification	R0060	-2,974,836	-2,974,836	
Intangible asset risk	R0070	-	-	
Basic Solvency Capital Requirement	R0100	11,039,404	11,039,404	

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	-
Operational risk	R0130	1,337,375
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	R0160	-
Solvency capital requirement, excluding capital add-on	R0200	12,376,779
Capital add-ons already set	R0210	-
Solvency capital requirement for undertakings under consolidated method	R0220	12,376,779
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-

Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation*	R0450	4
Net future discretionary benefits	R0460	-
Minimum consolidated group solvency capital requirement	R0470	-
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	-
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	-
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	-
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	-
Capital requirement for non-controlled participation requirements	R0540	-
Capital requirement for residual undertakings	R0550	-
Overall SCR		
SCR for undertakings included via D and A	R0560	-
Solvency capital requirement	R0570	12,376,779

S.32.01 Entities in the scope of the Group

Identification code of the undertaking MANDATORY	Country*	Legal Name of the undertaking	Type of undertaking*	Legal form	Category (mutual/non mutual)*	Supervisory Authority
C0020	C0010	C0040	C0050	C0060	C0070	C0080
LEI/2138008DN13KCEAE2Q93	GB	Astrenska Insurance Limited	2	Companies limited by shares	2	Prudential Regulation Authority
LEI/213800GWL93FZHBJ7H18	GB	Astrenska Insurance Holdings Limited	5	Companies limited by shares	2	

Ranking criteria (in the group currency)					
Total Balance Sheet (for (re)insurance undertakings)	Total Balance Sheet (for other regulated undertakings)	Underwriting performance	Investment performance	Total performance	Accounting standard*
C0090	C0100	C0140	C0150	C0160	C0170
22,352,766.80		565,053.46	48,877.47	960,053.89	2
	23,615,400.00				2

Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence*	Proportional share used for group solvency calculation	Yes/No*	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
100.0000	100.0000	100.0000		1	100.0000	1		1
						1		1

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For over 30 years, we've been chosen by the world's leading payment networks, 1,400+ banks, 90+ airlines and 20+ hotel groups to craft customer experiences that win competitive edge. This enables them to acquire, engage and retain the most profitable, but most demanding customers. Our clients include Air France KLM, American Express, Cathay Pacific, Chase, Hackett, Mastercard, Post Office, Radisson Hotel Group, RSA, Saga, Sephora, UnionPay and Visa. In particular, our unique expertise and insights into high earning, frequent travellers allow us to create products and solutions for our clients that inspire greater customer engagement in this lucrative customer segment.

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