Astrenska Insurance Holdings Limited and Astrenska Insurance Limited

Solvency and Financial Condition Report for the year ended 30 April 2021

Astrenska Insurance Holdings Limited – Company Registration No: 10330418
Astrenska Insurance Limited – Company Registration No: 01708613

COLLINSON

Contents

Introduction and scope

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.

The Group comprises of two legal entities: AIHL and AIL. The Group forms part of a wider Collinson International Limited (Collinson) as disclosed in section A.1.2.1 of this report.

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.

Executive Summary

Business and Performance

The Group plays a key role in the delivery of Collinson's insurance division strategy to be a specialist insurer focusing on Travel, selectively global International Private Medical Insurance (IPMI) and Multi Lines insurance product lines distributed via an attractive roster of longstanding affinity brands. The Group's principal products underwritten are:

- Multi Lines including ancillary home emergency, motor assistance and gadget insurance (SII lines of business – Miscellaneous financial loss, Assistance and Fire and other damage to property);
- Travel Insurance and Motor Excess (SII line of business – Assistance); and
- International Health Insurance (SII line of business – Medical Expense Insurance).

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

Focus will continue to be on the completion of the final stages of consolidation, simplification and modernisation of the insurance operation on which AIL relies. Furthermore, to support our intent to add further scale into AIL, the business is now in a position to do so efficiently as a result of previous investments in digitising and automating the travel insurance customer journey. This continues to offer our customers choice of channel throughout their claims journey and empowering our claims staff to reduce the end-to-end cycle time which lowers cost and increases customer satisfaction.

Planned growth along with a focus on containing costs and good underwriting disciplines has resulted in improved financial performance. The client portfolio has grown with further new client wins and existing clients being retained, with the exception of a less profitable scheme. The loss of this scheme which will take place during calendar year 2021 has not materially impacted the portfolio.

Strategic Objectives

- **Multi Lines / Miscellaneous financial loss/ Fire and other damage to property**

AIL has shown strong growth in FY21 as a result of opportunities that have arisen from the new distribution partners across these classes of business. AIL will continue to work with both existing partners and seek new partners to write profitable business building on strong distribution partnerships and underwriting expertise.

- **Assistance / Travel**

AIL expects the UK travel insurance portfolio to begin to recover during FY22 and the return to pre-Covid volumes to be completed in Q3 FY23. FY22 will be impacted by the lack of business written in FY21; however, the management of costs (acquisition commission and claims) places AIL in a more resilient financial position as it enters FY23. Significant growth is therefore expected as volumes return to pre-Covid levels and as a result of the movement of the current MGA portfolio into AIL.

- **Medical Expense / IPMI**

AIL will continue to diversify the medical expense portfolio, with growth expected in new geographical regions with a continued focus on Africa given the work undertaken to successfully onboard new distribution partners across Kenya and Nigeria during FY21.

- **Drive value from Insurance Division Initiatives**

AIL continues to view controlling its own supply chain of claims and assistance management as a key differentiator as well as the control of claims cost, conduct risk and customer outcomes. Accordingly, AIL has continued to invest in systems, infrastructure and people to further enhance its claims handling and assistance capability. For example, AIL materially completed the move to one platform for all international health and travel business during FY21.

- **Inwards Reinsurance from Collinson Insurance Europe Limited (CIEL)**

FY21 represented the final year by which AIL provided inwards reinsurance from CIEL. During FY21, it has developed a broader suite of reinsurance solutions with leading A rated reinsurance providers which will support the insurance division as it onboards schemes previously written in the MGA business.

- **Covid-19 Pandemic**

AIL has been exposed to the risks triggered by the Covid-19 pandemic. The impact has continued to be seen in the travel insurance portfolios with the loss of travel related premium with sales of insurance related to global travel impacted due to the various Covid-19 lockdowns that have ensued throughout Europe. However, this has been partially offset by lower claims volumes as a direct result of the fall in the number of people travelling and the reinsurance programme has provided protection and mitigated the impact of the claim's exposure. In addition, the AIL portfolio provides a strong balance of diversification with other lines of business less impacted by the Covid-19 pandemic with overall exposure limited to less than 5% of the overall underwriting portfolio during FY21.

Systems of Governance

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 support 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. This is outlined in Section B.3.

The Board commissioned an external Board Effectiveness Review in October 2019, assessing the Group's systems of governance. The Board has now fully implemented the recommendations from the review, including the recruitment of an additional independent non-executive director (subject to regulatory approval) to further the independence of the Board and to contribute additional diversity of thinking to the leadership group whilst ensuring the interests of all stakeholders are considered in decision making.

Risk Profile

The Board accepts that the Management team of the Company needs to take risks to deliver success. The Group has exposure to the following risks:

- Insurance risk (incl. Reserving risk): The risk arises from inadequacies in pricing and uncertainty as to the occurrence, amount and timing of claims;
- Market risk (incl. Currency risk): This risk relates mainly to loss from movement in exchange rates when holding assets and incurring liabilities, denominated in currencies other than GBP Sterling;
- Credit risk: The risk that a counterparty will be unable to pay amounts in full when due;
- Operational risk: The risk arises from economic loss, resulting from failed or inadequate controls, processes or systems, or from human or external events;
- Liquidity risk: The risk of the inability to generate sufficient cash resources to meet payment obligations as they fall due; and
- Strategic risk: The risk that the Group fails to set and implement an appropriate strategy.

The Group has the necessary processes and procedures in place to identify, measure and mitigate these risks. These processes are detailed in Section C.

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 that 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 2021 was 157% (2020: 166% restated and unaudited).

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.

A. Business and Performance

A. Business and Performance

A.1 Business

A.1.1 Information about our Business

AIHL is an insurance holding company for which Group supervision has been agreed with the PRA. AIHL wholly owns the Company, a UK general insurance company authorised by the PRA and regulated by the PRA and Financial Conduct Authority ("FCA").

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

A.1.2 Group structure and ownership

A.1.2.1 AIHL and AIL legal structure

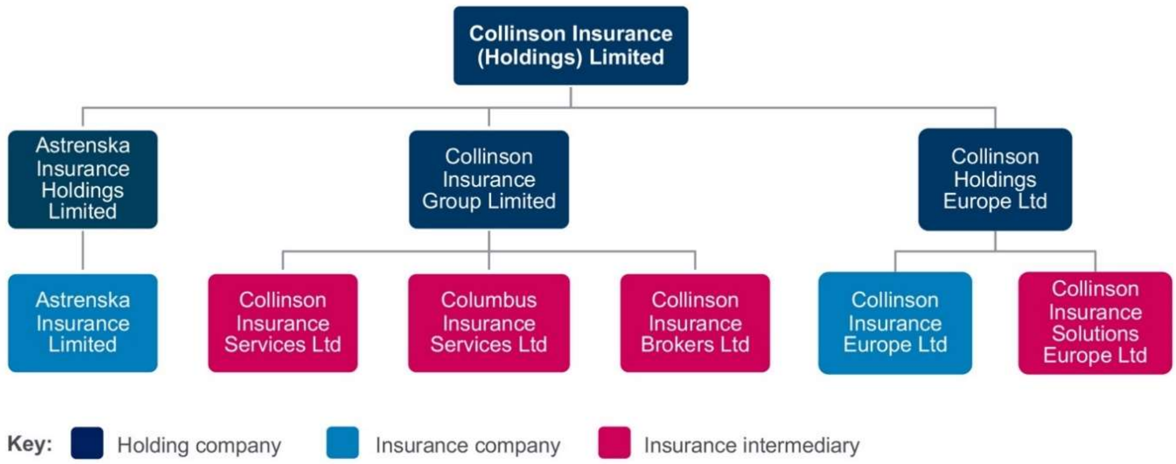
AIHL sits within the Insurance Division of the Collinson International Limited as a direct subsidiary of Collinson Insurance Holdings Limited (CIHL). The diagram below summarised the operating entities within the Insurance Division. It should be noted that a separate SFCR is prepared for Collinson Holdings 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.

The Group operates in the following four Solvency II lines of business:

- Miscellaneous financial loss;
- Fire and other damage to property;
- Assistance; and
- Medical expenses and income protection.

The structure of AIHL and AIL is as follows:



(Extract from the Collinson Group structure.)

A.1.2.2 The Group's material lines of business and geographical operating areas

The material products written by the Group are:

- Multi lines including ancillary home emergency, motor assistance and gadget insurance (SII lines of business – Miscellaneous financial loss, Assistance and Fire and other damage to property);
- Personal Accident insurance (Solvency II line of business – Assistance);
- Motor collision damage waiver & excess protection (Solvency II line of business – Assistance);
- Travel insurance (Solvency II line of business – Assistance);
- International health insurance (Solvency II line of business – Medical expense insurance); and
- Income Protection (Solvency II line of business – Income Protection).

(Refer: QRT - S.05.01.02 – Premium, claims, and expenses by line of business – in appendix.)

The impact of ceasing to write EU business and the introduction of new products, with new distribution partners, has continued to drive a change of mix in this financial year.

(Refer: QRT - S.05.02.01 – Premium, claims, and expenses by country in appendix.)

A.1.2.3 Significant business and other events that have occurred over the reporting period that have had a material impact on the Company

As noted elsewhere within this report, including Section A.5 "Any other information", during the year under review, the Company has continued to be exposed to the risks triggered by the Covid-19 pandemic which ensued at the tail end of the previous financial year. The impact has been seen in our Travel Insurance portfolios with an increase in cancellation related claims and a loss of travel related premium with sales of insurance related to global travel impacted due to the Covid-19 lockdown in the UK. However, this is partially offset by lower claims volumes as a direct result in the fall of the number of people travelling within the year and expecting to travel into the new financial year.

The Company's reinsurance programme has provided protection and mitigated the impact of the claim's exposure. In addition, the portfolio provides a strong balance of diversification with other lines of business less impacted and overall potential exposure is limited to less than 5% of the overall underwriting portfolio.

The impact of Covid-19 on the volume of business written and our underwriting performance are included within the numbers presented.

Throughout this period the Group has continued to maintain oversight of all outsourced arrangements ensuring all our partner operations remain resilient, adaptable to changes in operational volumes and that the needs of policyholders continue to be met by the service providers.

A.2 Underwriting Performance

A.2.1 Development and Results

Gross Written Premiums ("GWP") FY21 (which covers the 12 months ended 30 April 2021) were £36,485k compared to £48,681k in FY20 (covering the 12 months ended 30 April 2020).

GWP for FY21 shows an underlying decrease of 25% compared to FY20. The decrease has been driven by reduced sales within the Travel portfolio due to the continued Covid-19 lockdowns preventing any meaningful travel taking place, the planned switch of motor excess products from AIL to Collinson Insurance Europe Limited and a prior year restatement. This has been somewhat mitigated by growth in the company's motor and home ancillary products where GWP in the year has continued to grow as a result of the implementation of new client wins that were successfully onboarded in the previous financial year.

In addition to an impact on sales volumes, Covid-19 claims have also impacted the Company's underwriting performance by reducing the Company's underlying loss ratio. While some claim perils have peaked, others have been depressed by the lockdown providing material mitigation and our Reinsurance programs have further mitigated the risk.

The table below shows the summarised Statement of Comprehensive Income for the Group including premiums, claims and expenses for the year ended 30 April 2021. Within the financial statement of AIL the 30 April 2020 comparatives have been restated. For the SFCR comparatives we have presented the numbers as previously reported in order to aid comparison. The restatement has had no impact on the net result of the company.

An analysis based on Solvency II lines of business can be found in the Quantitative Reporting Templates contained in the appendix of the document (Refer appendix 1: QRT - S.05.01.02 Premiums, claims and expenses by line of business)

Summarised Statement of Comprehensive Income	**FY21**	**FY20**	**Variance**
	£'000	**£'000**	**£'000**
Gross premiums written	36,485	48,681	(12,196)
Total technical income	41,071	41,311	(240)
Claims incurred, net of reinsurance	8,544	11,873	(3,329)
Underwriting result	32,527	29,438	3,089
Underwriting loss ratio	21%	29%	-
Net operating expenses	31,919	28,606	3,313
Net operating expense ratio	78%	69%	-
Balance on technical account for general business	608	832	(224)
Profit for the financial year	**681**	**1,091**	**(410)**

The Company's underwriting result for the current year is £32,527k (FY20: £29,438k) with the claims incurred, net of reinsurance £8,544k (FY20: £11,873k) and the net operating expense £31,919k (FY20: £28,606k).

Net income arising from the Balance on technical account for general business decreased by £224k to £608k in FY21 (FY20: £832k).

The Group made a profit for FY21 of £681k (FY20: £1,091k).

A.3 Investment Performance

A.3.1 Analysis of overall investments

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.

Following the rate cuts in March 2020 the UK base rate has remained at 0.10% throughout the year. Consequently, investment opportunities have been limited with banks offering near nil or even negative returns on cash holdings.

During the year 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 an associated company which is repayable on demand and attracted an interest rate of LIBOR +50 basis points. As at the 30 April £6,007k 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 FY21 was £110k (FY20: £186k).

A.4 Performance of other activities

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

A.5 Any Other information

The current economic conditions and specifically the ongoing impact of the Covid-19 pandemic continue to present risks for the Company. In response to such conditions, management have carefully considered the Company's financial and operational business plan and forecasts for the going concern assessment period. The Company has formally reviewed its reinsurance management and arrangements, risk management, solvency, and liquidity management to ensure the Company remains within its risk appetite. The assessment considered the current capital position of the Company and liquidity requirements, including consideration of the ongoing impact of the Covid-19 pandemic and the Company's expected recovery profile and associated business plan. These were then subject to stress testing based on several scenarios, including scenarios incorporating the impact of the Covid-19 pandemic.

The Company has also reviewed its arrangement and inter-dependence with fellow group undertakings upon which there is a significant operational reliance to enable the Company to deliver the services to its ultimate clients, including the provision of insurance administration services. Where there was such reliance, the Company performed those actions it felt necessary to satisfy itself that those fellow group undertakings had the operational resources to continue to meet their obligations to the Company.

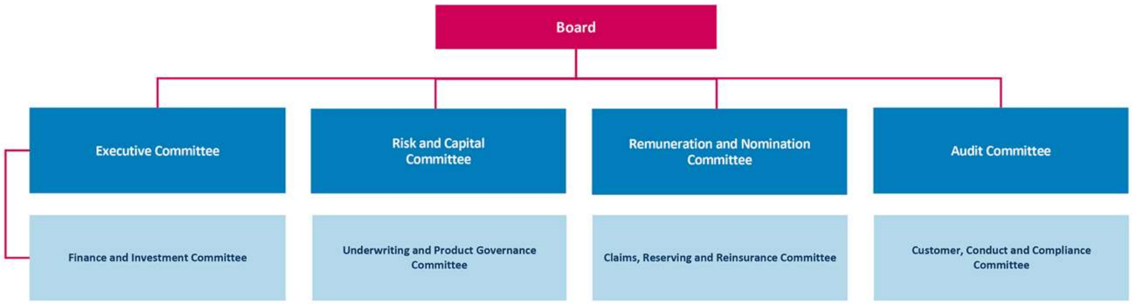
During the next reporting period it is anticipated that Collinson Insurance Holdings Limited (the intermediate parent company of Astrenska Insurance Holding Limited) will move from its current parent company Collinson International Limited to The Collinson Group Limited. There is no change to the ultimate parent undertaking of the Company. The transfer of Collinson Insurance Holdings Limited is subject to regulatory approval and will take place once those approvals are obtained.

B. System of Governance

B. System of Governance

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

The system of governance structure as at 30th April 2021 is depicted in the structure below.



Board of Directors (BoD)

The BoD of the Group is of sufficient size and possess 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 2021 consisted of three Executive Directors and two Non-Executive Directors and one independent Non-Executive Chair. 'An additional Independent Non-Executive Director' was also appointed subject to regulatory approvals in July 2021

The BoD have 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 its respective 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:

- The BoD has the responsibility to oversee the conduct of the business and affairs of the Company, to monitor management and to endeavour to ensure that all material issues affecting the Company's business and affairs are given proper consideration;
- The BoD may 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;
- The role of the BoD is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed; and
- The Board will be responsible for the governance of the Company.

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

- Set strategy, objectives, policies and direction of 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 staffing issues;
- 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 such as underwriting, claims, reinsurance and financial approval;
- 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 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 2021 consisted of one independent Non-Executive Chair and one Non-Executive Director. An additional independent non-executive director was appointed in July 2021 and will attend the Committee following the receipt of regulatory approvals.

The Committee has the following duties and responsibilities:

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

- 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.

Remuneration of members of the BoD

The Executive and Non-Executive Directors representing the shareholder are directly 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 Notes 8 and 9 to the Audited Financial Statements of AIL.

The following principles are applied to remuneration within AIL:

- 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 Audit Committee membership as at 30th April 2021 consisted of one independent Non-Executive Chair and one Non-Executive Director. An additional independent non-executive director was appointed in July 2021 and will chair the audit committee following the receipt of regulatory approvals.

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 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. Providing 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 2021 consisted of one independent Non-Executive Chair and one Non-Executive Director and three Executive Directors. An additional independent non-executive director was appointed in July 2021 and will chair the Risk and Capital Committee following the receipt of regulatory approvals.

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.

Risk Operating Model

- To review the operating model, adequacy and effectiveness of resource within the Risk Management function, its access to information and its independence from Executive management; and
- To review and monitor the effectiveness of the SMF4 role holder.

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.

Money Laundering Reporting Officer

- The Committee will receive escalation reports on material risks relating to anti-money laundering and counter terrorist financing systems and controls.

Data Protection

- The Committee will receive escalation reports on material risks relating to data privacy and information security systems and controls.

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 2021 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 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) Claims, Reserving and Reinsurance 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 in on the exposure of Insurance to currency exchange risk at least quarterly and determine any mitigating measures;
- the impact of new and pending Financial Reporting Standards on any technical judgements;
- To assess the appropriateness of Insurance’s banking arrangements including the financial strength of its 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. To develop, implement and maintain 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.

Claims, Reserving and Reinsurance 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.

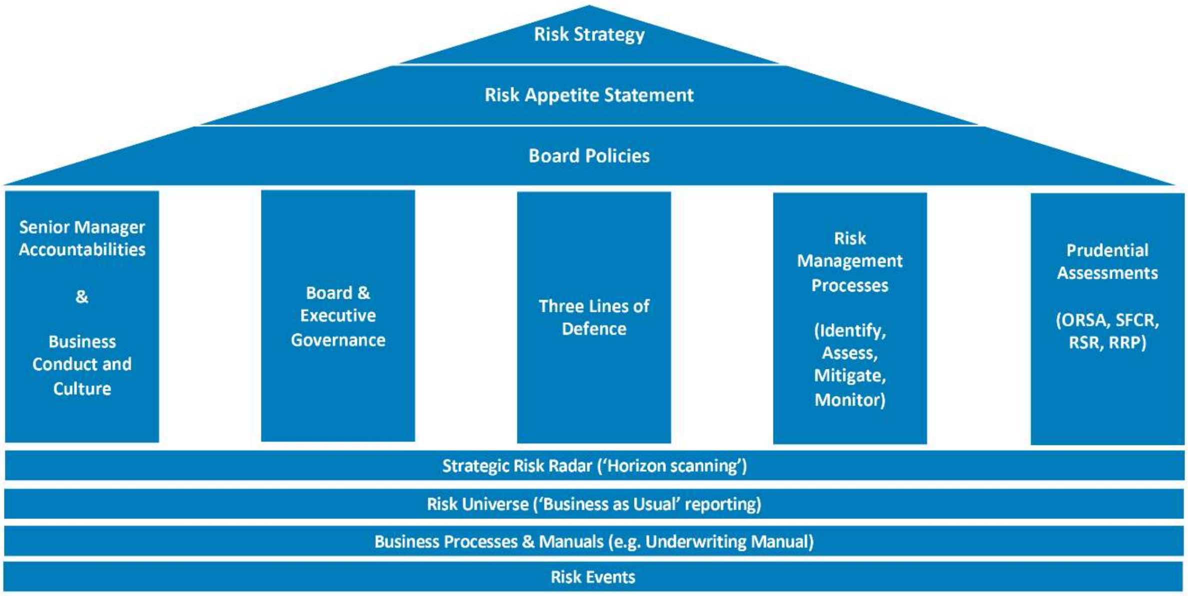
Individuals are also required to declare any information which may impact their ability to perform their role, conflicts of interest or any criminal or civil proceedings. Where applicable the information is submitted to the PRA / FCA in support of their Senior Manager Function ("SMF") applications. The 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 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

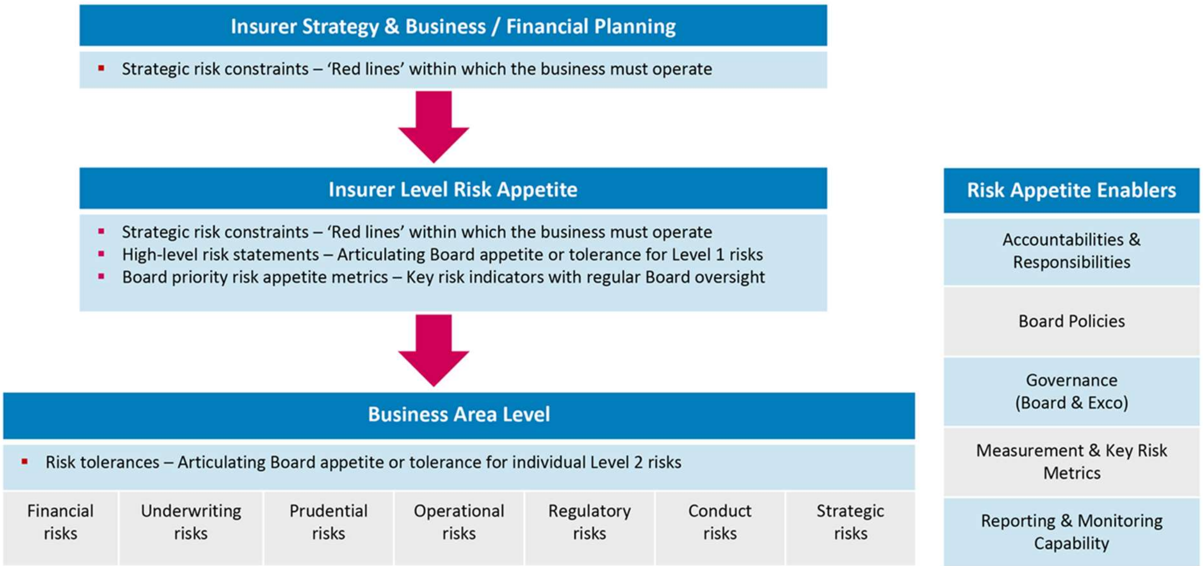
The Risk Strategy defines the guiding principles with which the Company operates to deliver effective risk management in support of its commercial performance and intended customer outcomes. Twenty-one principles have been defined, centred on five themes which provide a coherent structure to articulate 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 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 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 supporting 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***	**(1) Risk Identification** ▪ Maintain the Risk Universe (a shared vocabulary for 'show on the road' risk categories & definitions)	**(1) Risk Identification** ▪ Provide independent oversight & assurance on effectiveness of Line 1 & 2 risk identification activities

▪ Proactively escalate potential breaches to line managers & Risk ▪ Maintain business team's Risk & Control Self-Assessments	▪ Maintain the Strategic Risk Radar (a 'top-down' tool for key risks) ▪ ***Challenge*** Executive team re. incoming / 'horizon' risks	
(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
(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	**(5) Board Policies** ▪ Define the Board ***Policy framework*** & document set ▪ Create Policy Statements & Minimum Standards for Insurers	**(5) Board Policies** ▪ Provide independent oversight & assurance on effectiveness of compliance with Board Policies

▪ Proactively request waivers / exceptions if non-compliance exists	▪ Maintain a register of policy waivers & exceptions	
(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

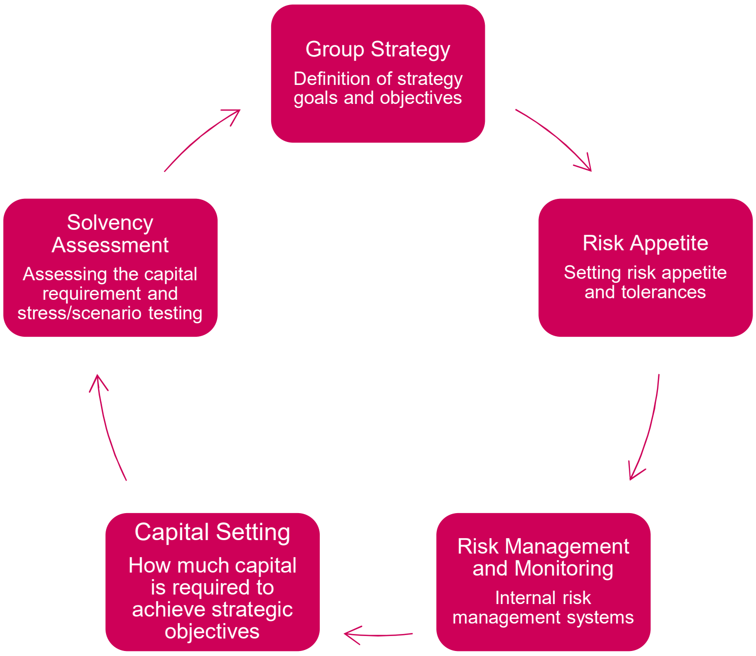
The ORSA process supports the BoD in achieving their strategic objectives by taking a structured and combined approach of business strategy, risk management and capital management. Thus, within this context, the prime purposes of the ORSA processes are to:

- 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;
- 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 Regulatory Authority.

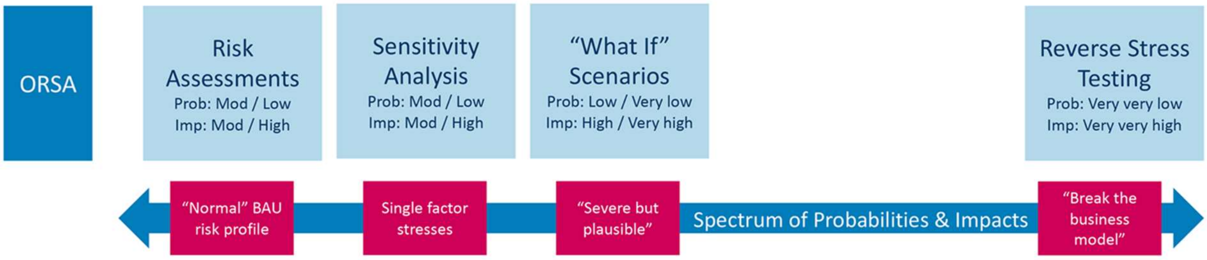
ORSA Timing and Frequency

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 that has embedded.



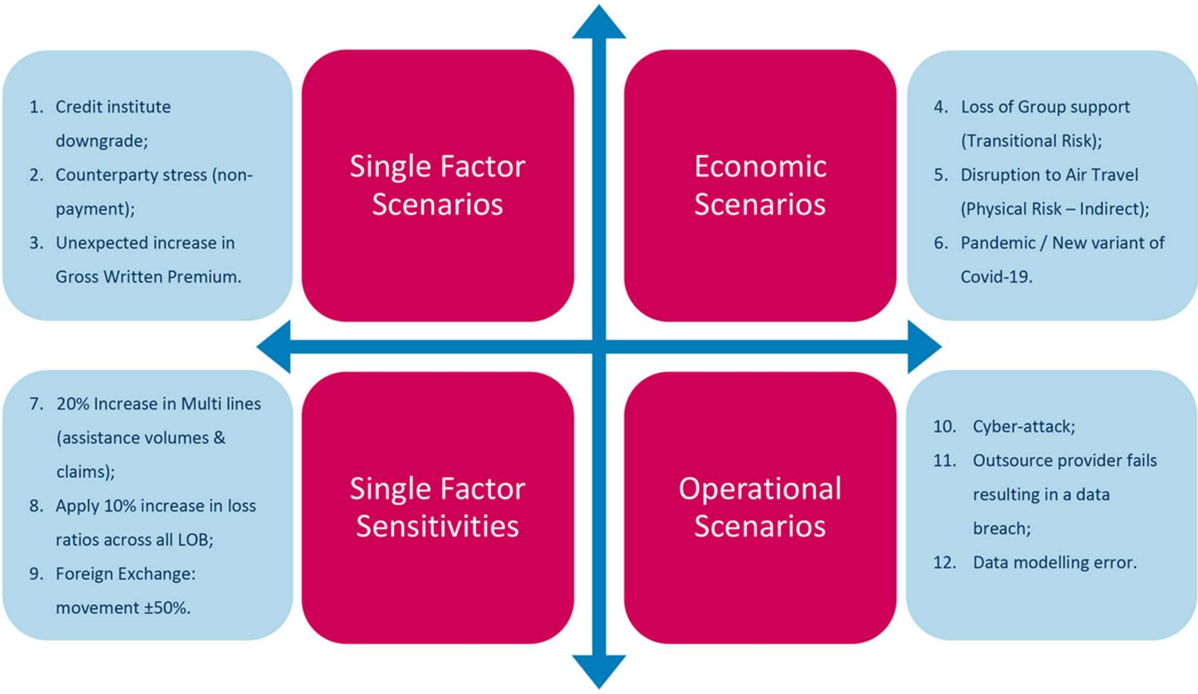
An integral element of the Company's risk management framework (included with the ORSA) is the stress and scenario testing of the business model and its key assumptions through sensitivity analysis and 'extreme but plausible' scenarios.



- **ORSA**: Identifies the 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 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 testing, which is "severe but plausible" to the 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 role of Compliance 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 policies and procedures are in place to mitigate Compliance risk that are in line with the 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 including the marketing and advertising; and
- 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.

The activities of the Compliance team are detailed in the Compliance Monitoring Plan for each year and approved by the RCC. This includes 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 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

C. Risk Profile

The Company's Risk Profile

The Company's risk exposure is classified within 5 broad categories: underwriting risk, market risk, credit risk, liquidity risk and operational risk. It also considers any other risks that fall outside of these categories, such as conduct, regulatory and strategic risk.

The table below provides a breakdown of the components of the Solvency Capital Requirement (SCR) as at 30 April 2021:

SCR Components	2021	2021
SCR Components Group and Solo	**£'000**	**Component of Undiversified BSCR**
Health underwriting risk	1,285	7%
Non-life underwriting risk	9,898	56%
Counterparty default risk	1,909	11%
Market risk	4,508	26%
Undiversified Base SCR	17,600	100%
Diversification credit	(4,439)	-
Basic SCR	13,161	-
Operational Risk	1,333	-
Solvency capital requirement	14,494	-

With regard to Covid-19 the impact to the Company's SCR has been immaterial as our net retentions are low. The Company monitors both the monetary amount as well as the proportion of risk capital driven by each of the above components. The Company's underwriting risk modules comprise 63% of risk capital and the market and Counterparty elements 37%. This is material increase in the non-underwriting components over the year (2020: 22%) and is in line with our revised investment portfolio which includes a loan to an associated Company in the wider Collinson Group (refer to section D1.4 Loans & mortgages).

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 2021 and percentage of the undiversified Base SCR.

Underwriting Risk	FY21	
	£'000	BSCR %
Non-life Underwriting risk	£9,898	56%
Health Underwriting Risk	£1,285	7%
Total Underwriting Risk	**£11,183**	**63%**

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;
- AIL underwrites, both as primary insurer and as a reinsurer, general insurance risks for Travel, International Health and Assistance in the UK and selected countries within Africa. The portfolio consists of individual policies spread across the whole geographical area, minimising concentration risk. As well as pricing, AIL has additional controls to segment the market and target those risks it wishes to underwrite;
- The nature of AIL's product portfolio which 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 set 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; and
- 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.

C.2 Market Risk

Market risk arises from fluctuations in the market value of, or income from, AIL 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. 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.

The table below shows the Market Risk charge for year ending 30th April 2021 as a monetary and percentage of the undiversified Base SCR.

	FY21	
	£'000	BSCR %
Market risk	£4,508	26%

Prudent person principle

AIL are required, and strictly follow, the prudent person principle to invest the assets used to cover their 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 AIL's 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 AIL balance sheet and the impact this has, or may have, on the regulatory capital of AIL is monitored by the Risk and Capital Committee (RCC); and
- AIL does not currently use derivatives to manage currency exposure.

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 AIL 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 Default Risk charge for year ending 30th April 2021 as a monetary and percentage of the undiversified Base SCR.

Credit Risk	FY21	
	£m	BSCR %
Counterparty Default	£1,909	11%

AIL 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;
- AIL 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;
- AIL has 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 AIL's counterparty credit exposure;
- Exposure to credit risk in respect of amounts due from policyholders is mitigated by AIL'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 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.

AIL manages the level of liquidity risk:

- 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 2021 AIL was not exposed to significant liquidity risk.

C.5 Operational Risk

Operational Risk Level 1 Class in AIL's Risk Universe and 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 AIL 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: AIL 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: AIL 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: AIL 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: AIL will seek to ensure that incidents are identified, escalated and effectively managed within agreed parameters.

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

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

Operational Resilience: AIL 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 2021 as a monetary and percentage of the SCR.

	FY21	
	£'000	SCR %
Operational Risk	£1,333	9%

AIL 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.

As underwriting premium growth continues to be a key driver of Operational Risk SCR, AIL has implemented a 3-Year Capital Planning cycle embedded in its business planning procedures. This enables identification of the level of premium growth and the level of Operational Risk SCR within risk appetite. The process has been implemented within the scheme underwriting processes and constitutes a key part of Solvency II embedding in business use.

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 AIL 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

AIL is dependent upon on the 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)

AIL’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

AIL's uses its 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, etc.);
- **Financial:** Material risks to financial performance (e.g. macroeconomic conditions, etc.);
- **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

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 reporting currency of the Group is GBP Sterling.

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 (2020: £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 section 1.3 “UK GAAP and Solvency II balance sheets” which contains information about the Company balance sheet).

Please note that the appendix of this document from page 71 contains both the Group and Solo qualitative reporting templates (QRTs) prepared for the Company and AIHL as at 30 April 2021.

D.1 Assets

D.1.1 Valuation methodology for assets and liabilities other than technical provisions

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 2021, 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.

D.1.2 Key differences between the UK GAAP and Solvency II balance sheet in respect of assets and other liabilities

Deferred acquisition costs ("DAC") of £6,558k 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") £(1,601)k 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.

D.1.3 The Company UK GAAP and Solvency II balance sheets

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.

Astrenska Insurance Limited	Solvency II	UK GAAP	Variance
Assets:	£'000	£'000	£'000
Deferred acquisition costs	-	6,559	(6,559)
Financial investments	12,769	12,749	20
Loans and mortgages	6,007	-	6,007
Reinsurance assets (Reinsurers share of TP's)	1,017	3,967	(2,950)
Receivables insurance	528	10,166	(9,368)
Receivables reinsurance	265	373	(108)
Receivables trade not insurance	1,944	6,359	(4,415)
Cash and cash equivalents	11,495	11,495	-
Deferred tax asset	266	226	40
Other Assets	-	20	(20)
Total assets	34,291	51,914	(17,623)

Astrenska Insurance Limited	Solvency II	UK GAAP	Variance
Liabilities:	£'000	£'000	£'000
Technical provisions non-life	9,886	17,216	(7,330)
Insurance payables	1,403	6,995	(5,592)
Reinsurance payables	-	1,059	(1,059)
Payables trade not insurance	240	2,097	(1,857)
Other liabilities	-	1,602	(1,602)
Total liabilities	11,529	28,969	(17,440)
Excess of assets over liabilities	22,762	22,945	(183)

(Refer: Appendix 1 QRT - S.02.01.02 - Balance sheet for AIL)

D.1.4 Assets – Solvency II balance sheet

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 £6,007k 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 £266k was recognised as at the end of the reporting period.

At 30 April 2021, AIL has unused tax losses of £9,514k.

D.2 Technical Provisions

The following table details the Company's TP's:

£'000	Medical Expenses	Assistance	Miscellaneous Financial Loss	Fire & Other Damage	Income Protection	Total
Claims Provisions	508	2.041	1,171	364	86	4,170
Premium Provisions	3,513	1,813	(190)	141	15	5,292
Total Best Estimate	4,021	3,584	981	505	101	9,462
Risk Margin	213	134	49	22	5	424
Technical Provisions – Total	4,234	3,988	1,030	527	106	9,886
Total Recoverable from Reinsurance	96	(1,201)	181	(85)	(8)	(1,018)
Technical Provisions – Net of Reinsurance	4,330	2,787	1,211	442	98	8,868

The value of TP's corresponds to the current amount an insurer would have to pay if it were to transfer its obligations immediately to another Solvency II undertaking.

TP's 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 TP's are as follows:

D.2.1 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;
- TP's 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;
- Covid-19 remaining exposure is included within the TP's on a gross and net of expected reinsurance basis;
- 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.

D.2.2 Best Estimate

- The TP's, 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.

D.2.3 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.

D.2.4 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 ENID’s;
  - Include SII expenses required for the run-off of reserves, and
  - Discount cash flows.

D.2.5 Risk Margin

- The Risk Margin is a component of the technical provisions in order to ensure that the value of total technical provisions is equivalent to the amount that insurance and reinsurance undertakings 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.

D.2.6 Reinsurance Recoverables

- TP’s 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.

D.2.7 Level of uncertainty associated with the amount of TP's

- Modelling future cash flows will contain some uncertainty due to the inherent random nature of future events;
- Assessment of the uncertainty – key assumptions including probability of reinsurer default, ENIDs, BBNI and claims payment patterns have been stressed;
- If the stresses were to occur this would result in the following impact to the net TPs

Change in Net TP's	£'000
Economic	18
Non-Economic	79

- The economic assumption stressed with the largest impact is downgrading of reinsurer credit rating from A to BB.
- The non-economic assumption stressed with the largest impact is increasing the ENIDs assumption by 25%.
- Claim sensitivity scenarios are not considered since offsetting amounts in expenses would occur due to the CISL outsourcing relationship (see Outsourcing Section B.7).

D.2.8 Reconciliation between UK GAAP and Solvency II valuation

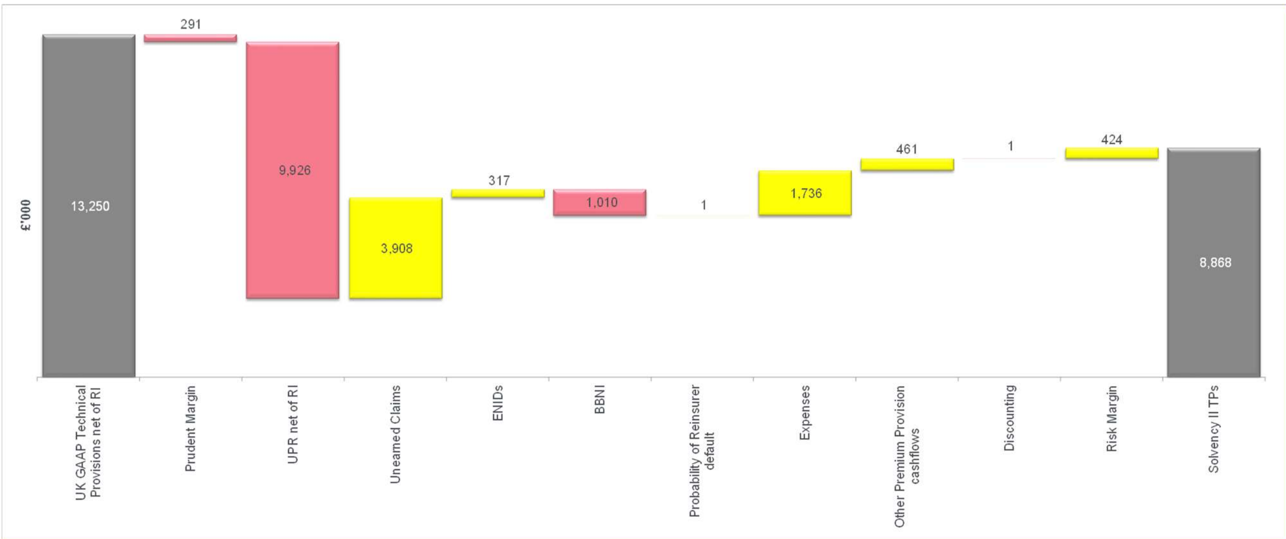
The table below shows the comparison between UK GAAP and SII valuations:

£'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	595	2,112	1,134	353	83	4,277						
Provision for unearned premium	1,446	6,166	4,378	861	88	12,940						
Best estimate Claims Provision							508	2,041	1,171	364	86	4,170
Best estimate Premium Provision							3,513	1,813	(190)	140	15	5,292
Risk Margin							213	134	49	22	5	424
Gross Technical Provisions	**2,041**	**8,278**	**5,512**	**1,214**	**172**	**17,217**	**4234**	**3,988**	**1,030**	**527**	**106**	**9,886**
Total Recoverables from Reinsurance	(298)	(2,382)	(813)	(424)	(50)	(3,967)	96	(1,200)	181	(85)	(8)	(1,018)
Net Technical Provisions	**1,743**	**5,896**	**4,699**	**790**	**121**	**13,250**	**4,330**	**2,788**	**1,211**	**442**	**98**	**8,868**

- TP's 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 general provisions for adverse development (prudent margin); 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 2021 – 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.

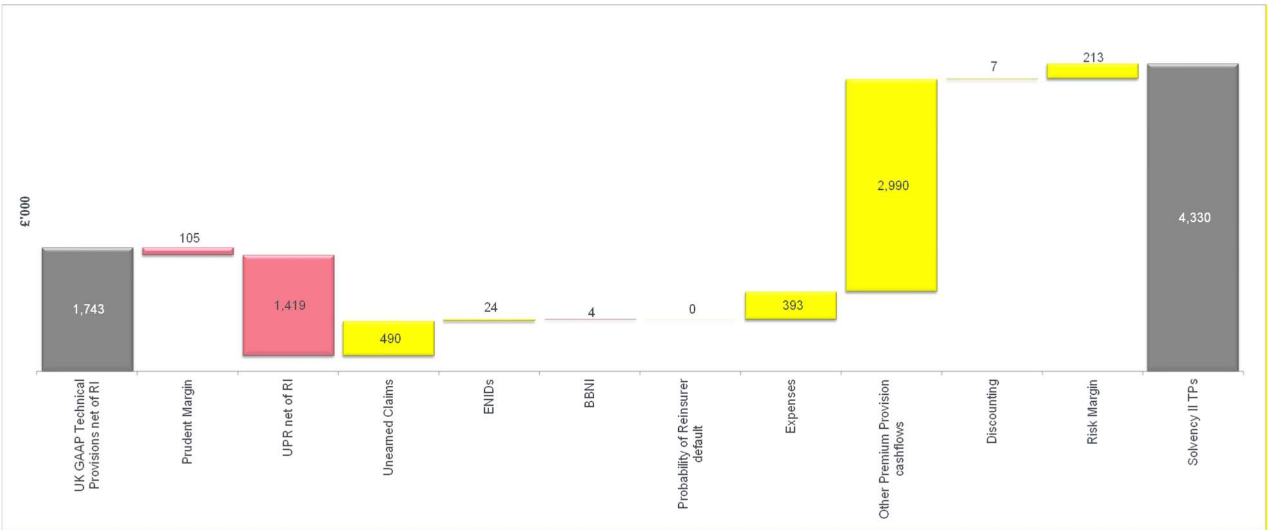
The difference between UK GAAP and Solvency II valuations are caused by the differences between the bases, methods, and main assumptions used. In particular, the following adjustments are made to convert UK GAAP provisions to Solvency II best estimate:

- 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, reinsurance and insurance premium taxes;
- Movement in creditors/debtors;
- Discount the cash flows; and,
- Include a risk margin.

The graphs below show the impact of the above headings of adjustment separately for SII lines of business – Medical Expenses, Assistance, Miscellaneous Financial Loss, Fire & Other Damage to Property and Income Protection.

Movements are broadly proportionate to the volume of business in each line, although for Medical Expenses the increase in TP's due to other premium provision cash flows is driven by the instalment premium business which exists in that line of business.

Medical Expenses: Comparison of UK GAAP and SII Technical Provisions as at 30 April 2021 – Net of Reinsurance

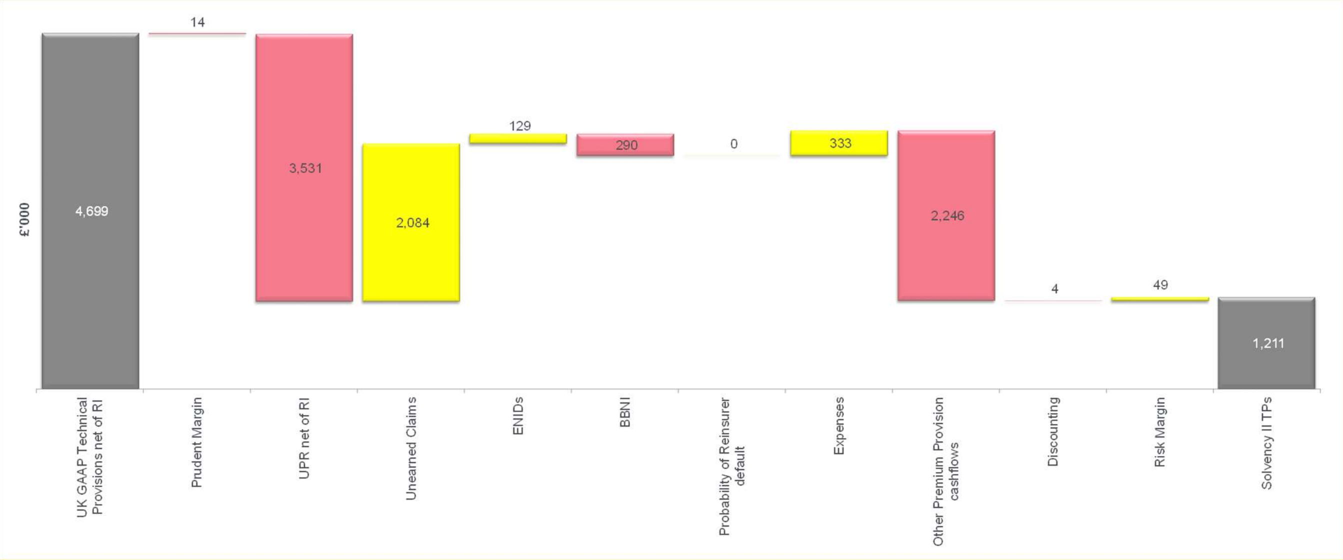


Please note that within the above waterfall the UK GAAP Technical provisions value of £1,743k does not include either DAC or reinsurers' share of DAC.

Assistance: Comparison of UK GAAP and SII Technical Provisions as at 30 April 2021 – Net of Reinsurance

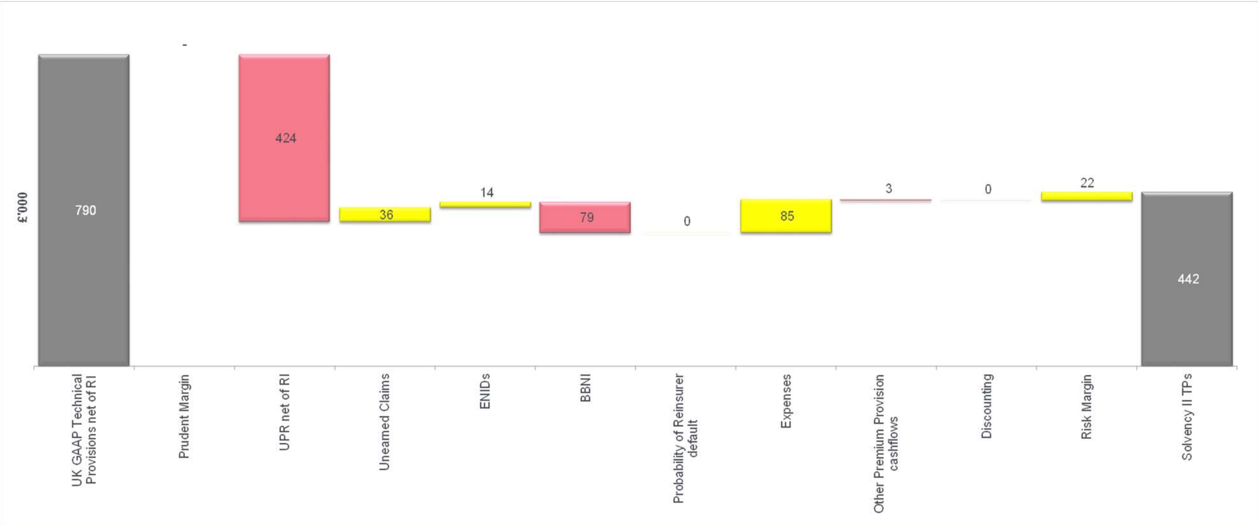
Please note that within the above waterfall the UK GAAP Technical provisions value of £5,896k does not include either DAC or reinsurers' share of DAC.

Miscellaneous Financial Loss: Comparison of UK GAAP and SII Technical Provisions as at 30 April 2021 – Net of Reinsurance



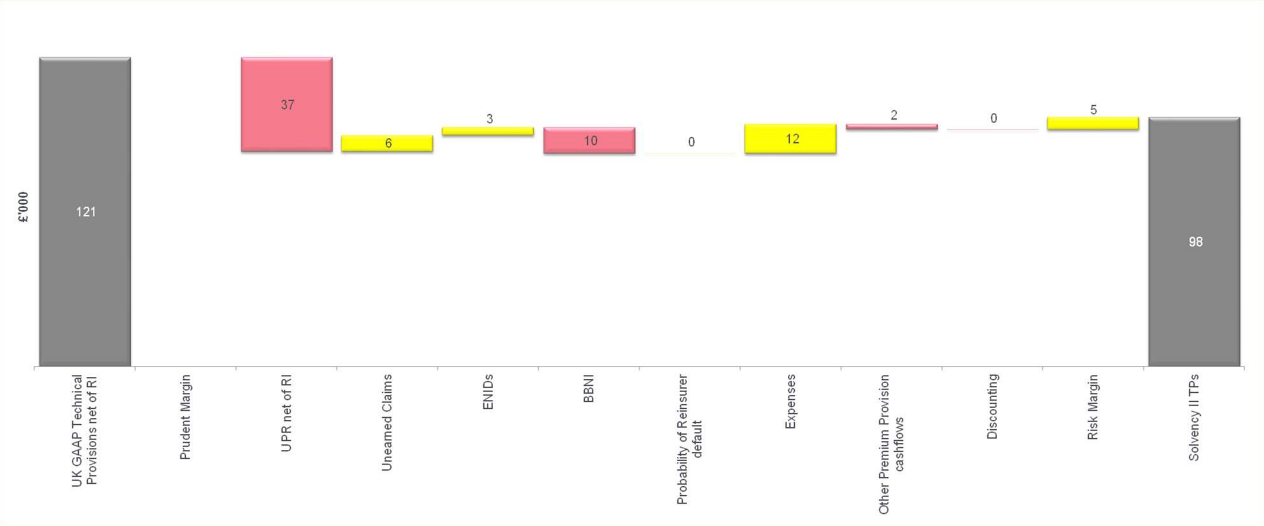
Please note that within the above waterfall the UK GAAP Technical provisions value of £4,699k does not include either DAC or reinsurers' share of DAC.

Fire & Other Damage to Property: Comparison of UK GAAP and SII Technical Provisions as at 30 April 2021 – Net of Reinsurance



Please note that within the above waterfall the UK GAAP Technical provisions value of £790k does not include either DAC or reinsurers' share of DAC.

Income Protection: Comparison of UK GAAP and SII Technical Provisions as at 30 April 2021 – Net of Reinsurance



Please note that within the above waterfall the UK GAAP Technical provisions value of £121k does not include either DAC or reinsurers' share of DAC.

D.2.9 Matching adjustment, volatility adjustment and transitional provisions

The Company does not utilise any of these arrangements.

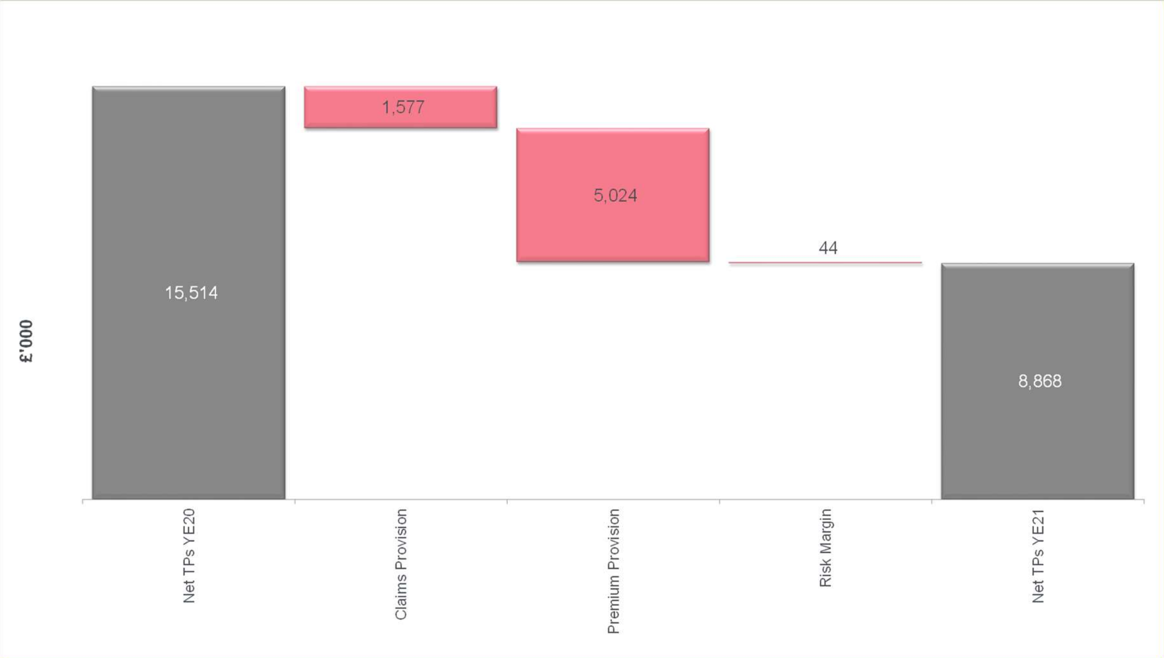
D.2.10 Changes to technical provisions from previous reporting period

The key changes affecting the TP's from the previous reporting period are reflected in the year on year waterfall below:

- Volume of business has increased, particularly from Miscellaneous Financial Loss, therefore increasing the best estimate cashflows in the Premiums & Claims provisions;
- Change in EIOPA discount rate;
- The Company has incurred gross losses in respect of the Covid-19 pandemic equivalent to 15% of its gross claim provisions. With a significant proportion recoverable through the Company's reinsurance arrangements; and
- Recalculated Risk Margin after above changes.

The following graph shows the walk from year end 2020 Solvency II TP's to year end 2021 Solvency II TP's.

SII Technical Provisions FY20 to FY21 – Net of Reinsurance



D.2.11 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 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.

D.2.12 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.

E. Capital Management

E. Capital Management

E.1 Structure and amount of Own Funds and their quality

E.1.1 Own Funds

Objectives of capital management

The Group's capital management policy is to ensure that capital is managed efficiently and to ensure that the regulatory, operational and policyholder requirements are met.

On a quarterly basis the boards of the Group and the Company review the relationship between own funds, MCR and SCR and considers these ratios against the Group's capital management policy. The headline risk appetite statement for the Company is maintaining a SCR Coverage Ratio of 150% across the planning horizon, which is monitored via a red, amber and green status.

- Green: 145% to 155% the Board is comfortable operating within this range.
- Amber: 130% to 144% and 156% to 175% active management actions are being taken to bring the SCR coverage ratio back into green.
- Red: <130% and >175% coverage ratio outside of risk appetite with further management actions taken to address or to re-calibrate the risk appetite depending upon the root cause.

Management of own funds and business and capital planning

The Group's planning cycle currently covers a period of three years and includes a plan that incorporates a 3-year view of SCR, MCR and Solvency II capital coverage ratios.

E.1.2 Composition of eligible own funds to cover the SCR and MCR (Solo and Group)

Composition of eligible own funds to cover the SCR and MCR

The Group's and the Company's own funds currently comprise unrestricted tier 1 capital available to cover both the MCR and SCR and tier 3 capital arising from the recognition of a deferred tax asset.

The tables (below) contain analysis of components of own funds for the Group and the Company.

Analysis of basic own funds (Group)	2021	2020
	£'000	£'000
Share capital issued and fully paid	23,615	23,615
Reconciliation reserve	(1,119)	(180)
Basic own funds to cover the MCR	**22,496**	**23,435**
Deferred tax asset	266	159
Basic own funds to cover the SCR	**22,762**	**23,594**

The main components of Group basic own funds comprise issued and fully paid share capital of £23,615k together with a negative reconciliation reserve of £(1,119)k (being the amount by which the assets exceed liabilities after deduction of Tier 1 capital instruments and the deferred tax asset of £266k.

The reconciliation reserve has moved negatively £(939)k which for the most part can be explained by the reduction in capital as a result of dividend from AIL being paid up and out of the Group for £(1,600)k less the profit for the period.

Analysis of basic own funds (Solo)	2021	2020
	£'000	£'000
Share capital issued and fully paid	16,000	16,000
Reconciliation reserve	6,496	7,435
Basic own funds to cover the MCR	**22,496**	**23,435**
Deferred tax asset	266	159
Basic own funds to cover the MCR and SCR	**22,762**	**23,594**

The AIL basic own funds comprise issued and fully paid share capital of £16,000k, together with a reconciliation reserve representing the excess of assets over liabilities of £6,496k and a deferred tax asset of £266k.

As noted above the movement in the reconciliation reserve of £(939)k is a result of the dividend declared by the Company during the period for £(1,600)k less the funds generated from the profit in the year.

Movement between equity in Company / Group financial statements and Solvency II excess of assets over liabilities

Group:

The Group does not prepare consolidated financial statements, so no reconciliation has been prepared between UK GAAP equity and Solvency II excess of assets over liabilities.

Company:

The movement between share capital and reserves as reflected in the AIL UK GAAP balance sheets as at 30 April 2020 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)	2021	2020
UK GAAP	£'000	£'000
Issued share capital	16,000	16,000
Retained earnings	6,945	7,864
Total capital and reserves	22,945	23,864
Adjustments to move to SII valuation:		
Technical provisions & DAC, difference in valuation GAAP vs. SII	(183)	(163)
GAAP assets not recognised on the Solvency II balance sheet: prepayments	-	(107)
GAAP liabilities not recognised on the Solvency II balance sheet	-	-
SII asset surplus (i.e. SII assets less SII liabilities)	**22,762**	**23,594**

Other information

No own funds items are subject to transitional arrangements.

At 30 April 2021 and at 30 April 2020, the Group / 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 Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR")

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 AIL are the same, accordingly for the remainder of this section of the document no distinction between Group and Company is made.

MCR

The Company held £22,496k of eligible unrestricted own funds to cover the MCR at reporting date and held sufficient capital to cover the MCR throughout the reporting period.

The Group held £22,496k of eligible unrestricted own funds to cover the minimum value of the group SCR at reporting date and held sufficient capital to cover the minimum value of the group SCR throughout the reporting period.

The minimum value of the consolidated group SCR for the Group is equal to the MCR of the Company.

The table (below) summaries the components of the MCR, as at 30 April 2021.

MCR	2021	2020
	£'000	£'000
Absolute floor MCR	3,623	3,319
Linear MCR	4,042	4,766
SCR	14,494	13,278
Combined MCR	4,042	4,766
MCR	4,042	4,766

The inputs to the calculation comprise of written premium net of reinsurance over the last year and best estimate of insurance liabilities net of reinsurance. The decrease in MCR of £724k (2021: £4,042k vs. 2020: £4,766k) has been driven primarily by the reduction in net written premiums during the year.

SCR

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 £22,762k of eligible unrestricted own funds to cover the SCR at 30 April 2021 (the SCR at 30 April 2021 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 Group's SCR of £14,494k as at 30 April 2021 (30 April 2020: £13,278k), after taking diversification credit.

SCR (Group and Solo)	2021	2021	2020	2020
	£'000	Component % of BSCR	£'000	Component % of BSCR
Health underwriting risk	1,285	7	1,999	13
Non-life underwriting risk	9,898	56	9,689	65
Counterparty default risk	1,909	11	2,158	15
Market risk	4,508	25	1,023	7
Undiversified Base SCR (BSCR)	**17,600**	**100**	**14,869**	**100**
Diversification credit	(4,439)	-	(3,305)	-
Basic SCR	13,161	-	11,564	-
Operational Risk	1,333	-	1,714	-
Solvency capital requirement	14,494	-	13,278	-

The 2021 SCR of the Group has increased by £1,216k to £14,494k (2020: £13,278k).

This increase is due to the additional Market risk elements associated with the loan to Group offset by the lower underwriting risk, the higher diversification and a fall in the Operational risk. All as further noted below:

Health underwriting risk

Health underwriting risk reduced by £(714)k (2021: £1,285k vs. 2020: £1,999k) driven by a reduction of the size in the health portfolio. This was in part due a Brexit-related decision in 2019 to place elements of the portfolio with CIEL. Furthermore, a small number of schemes were placed into run-off. This has resulted in a reduction in written premiums and claims volumes.

Non-life underwriting risk

Non-life underwriting risk has increased by £209k during the year (2021: £9,898k vs. 2020: £9,689k). This is as a result of a reduction in Assistance premium risk charge which leads to a capital relief on Assistance. This has been offset by premium growth in the Miscellaneous Financial Loss line of business.

Counterparty default risk

Counterparty default risk has decreased by £(249)k (2021: £1,909k vs. 2020: £2,158k) driven by a fall in Counterparty exposure to banks and reinsurance. The reduction is driven by loan to Group of £6,007k which is now classified under Market Risk and the dividend of £1,600k paid earlier in the year both of which have reduced holdings in cash and investments.

Market risk

Has increased significantly over the year by £3,485k or 340% (2021: £4,508k vs. 2020: £1,023k). This category consists of interest rate risk, currency risk, spread risk and concentration risk. The increase year on year is driven by the impact of the £6,000k loan to Group in the spread and counterparty elements of the Market risk which have added £3,262k and a small increase of £223k in currency risk in respect of the Euro portfolio underwritten by the company.

Diversification

Has increased by £1,134k (2021: £4,439k vs. 2020: £3,305k) over the period, driven mainly by the additional elements of the Market risk charge.

The final amount of the SCR remains subject to supervisory assessment.

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.

2020 Restatement

The Company's Statutory Accounts for the year ended 2021 include a prior year restatement. The impact of this is an additional £9m of GWP with an equal value in commission and £6.8m unearned premium with an equal value in deferred commission and £1m in IPT. The reclassification has no impact on the profit on ordinary activities before tax and increases liabilities by £1m. Consequently, the MCR and SCR for prior period have been recalculated. These values have not been subject to audit.

The original values, Minimum and Solvency capital coverage ratios and the revised values are shown in the table below. It should be noted that the company and Group remain well above the stated risk appetite minimum threshold.

Group & Solo	2020 Original	2020 Original	2020 Restated (Unaudited)	2020 Restated (Unaudited)
	£'000	Component % of BSCR	£'000	Component % of BSCR
Health underwriting risk	1,999	13	1,999	13
Non-life underwriting risk	9,689	65	10,590	67
Counterparty default risk	2,158	15	2,158	14
Market risk	1,023	7	1,023	6
Undiversified Base SCR (BSCR)	**14,869**	**100**	**15,770**	**100**
Diversification credit	(3,305)	-	(3,344)	-
Basic SCR	11,564	-	12,426	-
Operational Risk	1,714	-	1,764	-
Solvency capital requirement	13,278	-	14,190	-
Solvency capital coverage ratio	-	178	-	166
Minimum capital requirement	4,766	-	5,409	-
Minimum capital coverage ratio	-	492	-	433

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

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 both the Solo entity and Group SCR.

E.5 Non-compliance with either the Minimum Capital Requirement or the Solvency Capital Requirement

During the financial year ended 30 April 2021 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 £266k 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.

We 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, therefore there is no deferred tax asset that has not been recognised.

Neither the Company, nor the Group, have other material information to disclose.

Statement of Directors' Responsibilities

Approval by the Board of Directors

Financial year ended 30 April 2021

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

5 August 2021

Appendix

Appendix 1 - Quantitative Reporting Templates (QRTs)

Astrenska Insurance Holdings Limited (AIHL)

General Information	
Participating Undertaking name	Astrenska Insurance Holdings Limited
Group identification code	LEI/213800GWL93FZHBJ7H18
Country of the group supervisor	GB
Sub-group information	No Sub-group information
Language of reporting	EN
Reporting reference date	30/04/2021
Currency used for reporting	GBP
Accounting standards	This Group is using UK GAAP
Method of Calculation of the group SCR	Standard formula
Use of group specific parameters	No use of Group specific parameters
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on the technical provisions

List of Reported Templates (Group)	
S.02.01.02	Balance Sheet
S.05.01.02	Premiums Claims and Expenses by line of business
S.05.02.01	Premiums Claims and Expenses by country
S.23.01.22	Own Funds
S.25.01.22	SCR – for undertakings on Standard Formula
S.32.01.22	Undertakings in the scope of the group

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2021-04-30

Display currency: GBP

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	266
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	12,769
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	0
Government Bonds	R0140	0
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	12,769
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	6,007
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	6,007
Reinsurance recoverables from:	R0270	1,017
Non-life and health similar to non-life	R0280	1,017
Non-life excluding health	R0290	1,105
Health similar to non-life	R0300	-88
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	528
Reinsurance receivables	R0370	265
Receivables (trade, not insurance)	R0380	1,943
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0

Cash and cash equivalents	R0410	11,495
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	34,291
Technical provisions - non-life	R0510	9,886
Technical provisions - non-life (excluding health)	R0520	5,545
TP calculated as a whole	R0530	0
Best Estimate	R0540	5,340
Risk margin	R0550	206
Technical provisions - health (similar to non-life)	R0560	4,340
TP calculated as a whole	R0570	0
Best Estimate	R0580	4,122
Risk margin	R0590	218
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions - index-linked and unit-linked	R0690	0
TP calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	1,403
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	240
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	11,529
Excess of assets over liabilities	R1000	22,762

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2021-04-30

Display currency: k GBP

S.05.01.02 - 01

Premiums, claims and expenses by line of business

		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	168	836	8,807	4,385	18,471	32,668
Gross - Proportional reinsurance accepted	R0120	3,621	0	0	195	0	3,817
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	27	70	544	3,196	1,069	4,905
Net	R0200	3,763	766	8,264	1,385	17,402	31,580
Premiums earned							
Gross - Direct Business	R0210	146	747	14,799	7,083	14,682	37,456
Gross - Proportional reinsurance accepted	R0220	6,972	0	0	493	0	7,465
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	0	18	107	3,504	222	3,850
Net	R0300	7,118	729	14,692	4,072	14,461	41,071
Claims incurred							
Gross - Direct Business	R0310	-138	89	1,000	1,932	4,311	7,195
Gross - Proportional reinsurance accepted	R0320	2,934	0	0	-193	0	2,742
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	686	3	25	625	55	1,393
Net	R0400	2,111	87	976	1,115	4,255	8,544
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	3,804	774	8,353	1,399	17,590	31,919
Other expenses	R1200						
Total expenses	R1300						31,919

S.05.01.02 - 01

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2021-04-30

Display currency: k GBP

S.05.02.01 - 01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		ES	FR	IE	IT	PT	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	32,211	77	43	10	117	57	32,515
Gross - Proportional reinsurance accepted	R0120	103	0	0	3,519	195	0	3,817
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140	4,934	-6	-3	1	3	-4	4,924
Net	R0200	27,380	82	46	3,528	310	61	31,407
Premiums earned								
Gross - Direct Business	R0210	37,057	66	37	8	109	49	37,328
Gross - Proportional reinsurance accepted	R0220	103	0	0	6,869	493	0	7,465
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240	3,797	8	5	2	26	6	3,844

Net	R0300	33,362	58	33	6,875	577	43	40,949
Claims incurred								
Gross - Direct Business	R0310	7,646	79	45	-148	-615	59	7,065
Gross - Proportional reinsurance accepted	R0320	-14	0	0	2,946	-190	0	2,742
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340	1,301	35	20	703	-734	26	1,351
Net	R0400	6,331	44	25	2,094	-71	33	8,456
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	27,674	83	47	3,566	313	62	31,745
Other expenses	R1200							
Total expenses	R1300							31,745

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Legal name: Astrenska Insurance Holdings Limited, Closing date: 2021-04-30

Display currency: k GBP

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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	23,615			
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	-1,119	-1,119			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	266				266
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	22,762	22,496			266
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						
Reconciliation reserve	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 a 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	22,762	22,496			266
Total available own funds to meet the minimum consolidated group SCR	R0530	22,496	22,496			
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	22,762	22,496	0		266
Total eligible own funds to meet the minimum consolidated group SCR	R0570	22,496	22,496	0		

Minimum consolidated Group SCR	R0610	4,042				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	5.57				
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	22,762	22,496	0		266
Group SCR	R0680	14,494				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.57				

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2021-04-30

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Own funds

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	22,762
Own shares (included as assets on the balance sheet)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	23,881
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	
Reconciliation reserve before deduction for participations in other financial sector	R0760	-1,119
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	47
Total EPIFP	R0790	47

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2021-04-30

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Solvency Capital Requirement (for groups on Standard Formula)

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	4,507		
Counterparty default risk	R0020	1,909		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	1,285		
Non-life underwriting risk	R0050	9,898		
Diversification	R0060	-4,439		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	13,161		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	1,333
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	R0160	
Solvency capital requirement excluding capital add-on	R0200	14,494
Capital add-on already set	R0210	
Solvency capital requirement	R0220	14,494
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Minimum consolidated group solvency capital requirement	R0470	4,042
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	14,494

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2021-04-30

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	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
C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	LEI/213800GWL93FZHBJ7H18	Astrenska Insurance Holdings Limited	Insurance holding company as defined in Article 212 (1) (f) of Directive 2009/138/EC	Companies limited by shares	Non-mutual							100 %	Included in the scope		Method 1 – Full Consolidation
GB	LEI/2138008DN13KCEAE2Q93	Astrenska Insurance Limited	Non-life Insurance undertaking	Companies limited by shares	Non-mutual	Prudential Regulation Authority	100 %	100%	100%		Dominant	100%	Included in the scope		Method 1 – Full Consolidation

Identify the ISO 3166 code of the country in which the registered head office of each undertaking within the group is located.

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Legal name: Astrenska Insurance Ltd, Closing date: 2021-04-30
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S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	266
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	12,769
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	0
Government Bonds	R0140	0
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	12,769
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	6,007
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	6,007
Reinsurance recoverables from:	R0270	1,017
Non-life and health similar to non-life	R0280	1,017
Non-life excluding health	R0290	1,105
Health similar to non-life	R0300	-88
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	528
Reinsurance receivables	R0370	265
Receivables (trade, not insurance)	R0380	1,943

Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	11,495
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	34,290
Liabilities		
Technical provisions - non-life	R0510	9,886
Technical provisions - non-life (excluding health)	R0520	5,545
TP calculated as a whole	R0530	0
Best Estimate	R0540	5,340
Risk margin	R0550	206
Technical provisions - health (similar to non-life)	R0560	4,340
TP calculated as a whole	R0570	0
Best Estimate	R0580	4,122
Risk margin	R0590	218
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions - index-linked and unit-linked	R0690	0
TP calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	1,403
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	240
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	11,529
Excess of assets over liabilities	R1000	22,762

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Premiums, claims and expenses by line of business

		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	168	836	8,807	4,385	18,471	32,668
Gross - Proportional reinsurance accepted	R0120	3,621	0	0	195	0	3,817
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	27	70	544	3,196	1,069	4,905
Net	R0200	3,763	766	8,264	1,385	17,402	31,580
Premiums earned							
Gross - Direct Business	R0210	146	747	14,799	7,083	14,682	37,456
Gross - Proportional reinsurance accepted	R0220	6,972	0	0	493	0	7,465
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	0	18	107	3,504	222	3,850
Net	R0300	7,118	729	14,692	4,072	14,461	41,071
Claims incurred							
Gross - Direct Business	R0310	-138	89	1,000	1,932	4,311	7,195
Gross - Proportional reinsurance accepted	R0320	2,934	0	0	-193	0	2,742

Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	686	3	25	625	55	1,393
Net	R0400	2,111	87	976	1,115	4,255	8,544
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	3,804	774	8,353	1,399	17,590	31,919
Other expenses	R1200						
Total expenses	R1300						31,919

Legal name: Astrenska Insurance Ltd, Closing date: 2021-04-30 Display currency: k GBP

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Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		ES	FR	IE	IT	PT	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	32,211	77	43	10	117	57	32,515
Gross - Proportional reinsurance accepted	R0120	103	0	0	3,519	195	0	3,817
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140	4,934	-6	-3	1	3	-4	4,924
Net	R0200	27,380	82	46	3,528	310	61	31,407
Premiums earned								
Gross - Direct Business	R0210	37,057	66	37	8	109	49	37,328
Gross - Proportional reinsurance accepted	R0220	103	0	0	6,869	493	0	7,465
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240	3,797	8	5	2	26	6	3,844

Net	R0300	33,362	58	33	6,875	577	43	40,949
Claims incurred								
Gross - Direct Business	R0310	7,646	79	45	-148	-615	59	7,065
Gross - Proportional reinsurance accepted	R0320	-14	0	0	2,946	-190	0	2,742
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340	1,301	35	20	703	-734	26	1,351
Net	R0400	6,331	44	25	2,094	-71	33	8,456
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	27,674	83	47	3,566	313	62	31,745
Other expenses	R1200							
Total expenses	R1300							31,745

Legal name: Astrenska Insurance Ltd, Closing date: 2021-04-30

Display currency: k GBP

S.17.01.02

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Fire and other damage to property insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
		C0020	C0030	C0080	C0120	C0130	C0180
Technical provisions calculated as a whole	R0010						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	3,513	15	140	1,813	-190	5,292
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-376	9	99	434	-145	21
Net Best Estimate of Premium Provisions	R0150	3,890	6	41	1,379	-45	5,270
Claims provisions							
Gross	R0160	508	86	364	2,041	1,171	4,170
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	280	-1	-14	767	-36	996
Net Best Estimate of Claims Provisions	R0250	228	87	378	1,274	1,207	3,174
Total Best estimate - gross	R0260	4,021	101	505	3,854	981	9,462
Total Best estimate - net	R0270	4,117	93	419	2,653	1,162	8,445
Risk margin	R0280	213	5	22	134	49	424
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290						
Best estimate	R0300						
Risk margin	R0310						
Technical provisions - total							
Technical provisions - total	R0320	4,234	106	527	3,988	1,030	9,886
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-96	8	85	1,201	-181	1,017
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	4,330	98	442	2,788	1,211	8,868

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S.19.01.21 - 02 Underwriting

Non-life Insurance Claims Information

Accident year / Underwriting year	Z0020	2

Gross Claims Paid (non-cumulative)

		Development year												In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
N-9	R0160												R0160		
N-8	R0170												R0170		
N-7	R0180	342	6,644	14,983	-922	163	4	15	-9				R0180	-9	21,219
N-6	R0190	181	9,594	10,859	415	144	52	73					R0190	73	21,317
N-5	R0200	323	12,927	8,580	1,765	408	95						R0200	95	24,096
N-4	R0210	576	12,806	10,354	2,513	104							R0210	104	26,352
N-3	R0220	501	10,854	9,178	1,005								R0220	1,005	21,538
N-2	R0230	415	5,523	5,695									R0230	5,695	11,632
N-1	R0240	198	2,232										R0240	2,232	2,430
N	R0250	429											R0250	429	429
												Total	R0260	9,622	129,013

Gross undiscounted Best Estimate Claims Provisions

		Development year

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											0
N-9	R0160									0	0	
N-8	R0170								0	0		
N-7	R0180							0	0			
N-6	R0190						187	21				
N-5	R0200					153	53					
N-4	R0210				770	395						
N-3	R0220			1,483	562							
N-2	R0230		3,509	1,865								
N-1	R0240	807	1,419									
N	R0250	-147										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	0
	R0170	0
	R0180	0
	R0190	21
	R0200	53
	R0210	395
	R0220	563
	R0230	1,865
	R0240	1,420
	R0250	-147
Total	R0260	4,170

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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 as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	16,000	16,000			
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					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	6,496	6,496			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	266				266
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
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 financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	22,762	22,496			266
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					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	22,762	22,496			266
Total available own funds to meet the MCR	R0510	22,496	22,496			
Total eligible own funds to meet the SCR	R0540	22,762	22,496			266
Total eligible own funds to meet the MCR	R0550	22,496	22,496			

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SCR	R0580	14,494	[redacted]
MCR	R0600	4,042	
Ratio of Eligible own funds to SCR	R0620	1.57	
Ratio of Eligible own funds to MCR	R0640	5.57	

S.23.01.01 - 02

Own funds

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	22,762
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	16,266
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	6,496
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	47
Total Expected profits included in future premiums (EPIFP)	R0790	47

Legal name: Astrenska Insurance Ltd, Closing date: 2021-04-30 Display currency: k GBP

S.25.01.21

Solvency Capital Requirement (for undertakings on Standard Formula)

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	4,507		
Counterparty default risk	R0020	1,909		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	1,285		
Non-life underwriting risk	R0050	9,898		
Diversification	R0060	-4,439		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	13,161		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	1,333
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	R0160	
Solvency capital requirement excluding capital add-on	R0200	14,494
Capital add-on already set	R0210	
Solvency capital requirement	R0220	14,494
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

		C0109
Approach based on average tax rate	R0590	3

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

Legal name: Astrenska Insurance Ltd, Closing date: 2021-04-30

Display currency: k GBP

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Minimum Capital Requirement (Only life or only non-life insurance or reinsurance activity)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	4,042

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	4,117	3,763
Income protection insurance and proportional reinsurance	R0030	93	11
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	419	8,264
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120	2,653	1,613
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,162	17,647
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	4,042
SCR	R0310	14,494
MCR cap	R0320	6,522
MCR floor	R0330	3,623
Combined MCR	R0340	4,042
Absolute floor of the MCR	R0350	2,255
Minimum Capital Requirement	R0400	4,042

Glossary

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Glossary

Item	Description
AFR	Actuarial Function Report
AIHL	Astrenska Insurance Holdings Limited
AIL	Astrenska Insurance Limited
AOF	Ancillary Own Funds
AP	Approved Persons
AR’s	Appointed Representatives
ARCC	Audit, Risk and Compliance Committee
BBNI	Bound But Not Incepted
BEL	Best Estimate Liabilities
Board	AIL / AIHL Board
BOF	Basic Own Funds
BSCR	Base Solvency Capital Requirement
CF	Controlled Function
CFO	Chief Financial Officer
CIEL	Collinson Insurance Europe Limited
CIHL	Collinson Insurance Holdings Limited
CISL	Collinson Insurance Services Limited
Collinson	The Collinson Group
COO	Chief Operating Officer
CV	Curriculum Vitae
DBS	Disclosure and Barring Services
EBS	Economic Balance Sheet
EIOPA	European Insurance Occupational Pensions Authority

ENID	Events Not In Data
FCA	Financial Conduct Authority
FC	Finance Committee
FLOD	First Line of Defence
GWP	Gross Written Premium
FRS	Financial Reporting Standards
FY18 FY19 FY20	Financial Year 2018 – covering the period 1 May 2016 to 30 April 2018 Financial Year 2019 – covering the period 1 May 2017 to 30 April 2019 Financial Year 2020 – covering the period 1 May 2018 to 30 April 2020
GAAP	UK General Accepted Accounting Principles
I&A	Insurance and Assistance Division
MCR	Minimum Capital Requirement
MI	Management Information
NED	Non-Executive Director
ORSA	Own Risk and Solvency Assessment
PCB	Projects Change Board
PGC	Product Governance Committee
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
SCR	Solvency Capital Requirement
SII	Solvency II Directive
SIMF	Senior Insurance Manager Function
SLOD	Second Line of Defence
SPV	Special Purpose Vehicle
The Company	Astrenska Insurance Limited
The Group	Astrenska Insurance Holdings Limited and Astrenska Insurance Limited
TP's	Technical Provision
UEPR	Unearned Premium
UK	United Kingdom
USP	Undertaking Specific Parameters
WTW	Willis Towers Watson

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Collinson is a global leader in customer benefits and loyalty. We help other businesses to acquire, retain and monetise customers across four specialisms of Loyalty, Travel Experiences, Insurance and Assistance. We provide exceptional travel, assistance and insurance products that differentiate value propositions, and deliver loyalty solutions resulting in deeper, more valuable customer relationships. Our solutions drive more profitable customer relationships, enrich their travel experiences and protect what matters and assist in times of need. Our customer benefits products include the original and market-leading airport experiences programme, provided by Priority Pass, as well as travel insurance, international health, dental, home and motor ancillary insurance products and travel risk management solutions. Our loyalty expertise uniquely combines strategy, award-winning technology and programme management to create greater engagement and experiences for our clients' customers.

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.

Collinson is a privately-owned entrepreneurial business with 1,700+ passionate people working in 17 locations worldwide.

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