Astrenska Insurance Holdings Limited and Astrenska Insurance Limited

Solvency and Financial Condition Report for the year ended 30 April 2020

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

Contents

COLLINSON

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 12 January 2016 and this permission remains in force until 31 December 2020.

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 selectively global travel, international health and multi lines specialist. The Group's principal products underwritten are:

- International health insurance (Solvency II line of business – Medical expense insurance)
- Motor collision damage waiver & excess protection (Solvency II line of business – Assistance)
- Multi lines, predominantly ancillary home emergency and motor assistance (Solvency II line of business – Miscellaneous financial loss & assistance)
- Travel insurance (Solvency II line of business – Assistance)

The Group had historically predominantly covered risks located both in the United Kingdom and Europe. In response to Brexit, the risks located within the European Economic Area have been renewed with Collinson Insurance Europe Limited ("CIEL"), a separate Collinson company incorporated and regulated in Malta by the Malta Financial Services Authority ("MFSA").

The insurance product offering is entirely consistent with Collinson's wider value proposition focussing on developing insurance products and services to meet the needs of customers and developing long term relationships with clients to maximise the brand experience of their customers. As noted above following the renewal of European risks with CIEL the Company has remained focused on its key areas of expertise and, where applicable, looking for new opportunities across new product lines and with new clients.

With over 25 years' experience, Collinson's breadth of expertise in Loyalty, Travel Experience, Insurance and Assistance has created an unrivalled level of insight into the behaviours and needs of consumers and frequent travellers. This insight allows it to develop and deliver market-leading products and services that protect and create engagement, value and loyalty for hundreds of the world's leading companies and their customers across the globe, generating double digit growth over each of the last 5 years.

The Group continues to make good progress in consolidating, simplifying and modernising the insurance operation on which AIL relies. More importantly, we are now using the foundation created to digitise and automate parts of our customer journey, which is offering our customers choice of channel throughout their claims journey. This is empowering our claims staff to reduce the end-to-end cycle time which lowers cost and increases customer satisfaction.

During the final two months of the year under review, the Company has been exposed to the risks triggered by the Covid-19 pandemic. The impact has been seen in our Travel Insurance portfolios with an increase in cancellation related claims and subsequent fall in travel related premium as sales of insurance related to global travel were impacted by the Covid-19 lockdown in the UK. However, this is partially offset by lower claims volumes in the current and the next reporting period as claim volumes also fall as a direct consequence of fewer people travelling 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. However, the portfolio provides a strong balance of diversification with other lines of business less impacted and overall potential exposure is limited to less than 20% of the overall underwriting portfolio.

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.7.

The Board commissioned an external Board Effectiveness Review in October 2019, assessing the Group's systems of governance. The Board is implementing the recommendations from the review, including the recruitment of an additional independent non-executive director 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 2020 was 178% (2019: 161%).

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

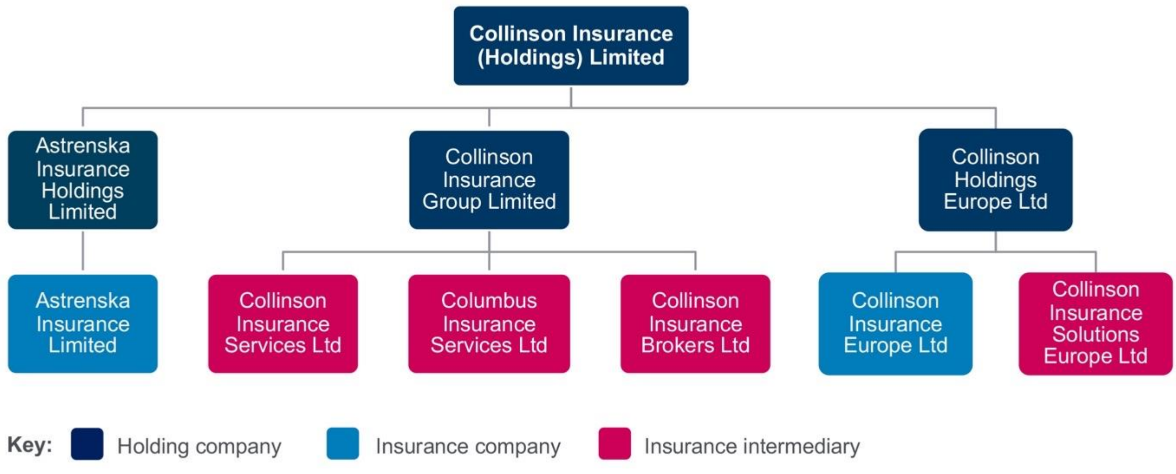
AIHL sits within the Insurance Division of the Collinson International Limited as a direct subsidiary of Collinson Insurance Holdings Limited (CIHL). The diagram below summarised the operating entities within the Insurance Division. It should be noted that a separate SFCR is prepared for Collinson Holdings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

- Medical expense insurance;
- Assistance; and
- Miscellaneous financial loss.

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:

- International health insurance (Solvency II line of business – Medical expense insurance);
- Motor collision damage waiver & excess protection (Solvency II line of business – Assistance);
- Multi lines, predominantly home emergency assistance (Solvency II line of business – Assistance); and
- Travel insurance (Solvency II line of business – Assistance).

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

The portfolio also consists of the following additional products:

- Motor breakdown (Solvency II line of business – Assistance);
- Gadget insurance (Solvency II line of business – Miscellaneous Financial Loss);
- Personal accident insurance (Solvency II line of business – Assistance), and
- Dental insurance (Solvency II line of business – Medical Expense Insurance).

The impact of ceasing to write EU business and the introduction of new products, with new distribution partners, has resulted in a change of mix in this financial year with a higher percentage of Motor Excess Protection, Ancillary Home Emergency, Motor breakdown and gadget cover.

(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

The termination of previously written EU business from the Group to CIEL (a Maltese entity) has had a material impact on the premium written in the financial year. As the Company now acts as reinsurer for CIEL for risks previously written, this offsets some of the premium reduction. More widely, whilst the impact of Brexit on the economy and travel patterns remain risks to the Company, Collinson considers it has effectively countered the most significant Brexit risks through its actions.

As noted elsewhere within this report, including Section A.5 "Any other information", during the final two months of the year under review, the Company has been exposed to the risks triggered by the Covid-19 pandemic. 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 and expected claim volumes as a direct result in the fall of the number of people travelling 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. However, the portfolio provides a strong balance of diversification with other lines of business less impacted and overall potential exposure is limited to less than 20% 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") FY20 (which covers the 12 months ended 30 April 2020) were £48,681k compared to £69,414k in FY19 (covering the 12 months ended 30 April 2019).

GWP for FY20 shows an underlying decrease of 30% compared to FY19. This is as a result of the transfer of EU schemes to CIEL in readiness for Brexit, albeit, the Group now benefits from accepted insurance with CIEL, re-insuring the IPMI book previously written by the Company and travel insurance distributed in Italy. GWP in the year has continued to grow across the Company's motor excess book as we have broadened our Motor ancillary offer s as well as some new distribution with the introduction of gadget insurance products. Sales related to global travel have also been impacted in the final two months of the financial year due to the Covid-19 lockdown.

In addition to this impact on sales volumes, Covid-19 claims have also impacted The Company's underwriting performance. While some claim perils have peaked, others have been depressed by the lockdown providing some mitigation. Our Reinsurance programs have further mitigated the risk. Of the £11,558k claims incurred, £220k can be attributed to Covid-19 net of reinsurance.

The table below shows the summarised Statement of Comprehensive Income for the Group including premiums, claims and expenses for the year ended 30 April 2020.

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	**FY20 £'000**	**FY19 £'000**	**Var £'000**
Gross premiums written	48,681	69,414	(20,733)
Total technical income	41,311	53,236	(11,925)
Claims incurred, net of reinsurance	11,873	15,341	(3,468)
Underwriting result	29,438	37,895	(9,111)
Underwriting loss ratio	29%	29%	-
Net operating expenses	28,606	36,741	(8,135)
Net operating expense ratio	69%	69%	-
Balance on technical account for general business	832	1,154	(322)
Profit for the financial year	**1,091**	**1,492**	**(401)**

The Company's underwriting result for the current year is £29,438k (FY19: £37,895k) with the underwriting loss ratio (the ratio of claims incurred, net of reinsurance to total technical income) remaining constant at 29% as did the Net operating expense ratio (the ratio of Net operating expenses to technical income) at 69%.

Net income arising from the Balance on technical account for general business decreased by £323k to £832k in FY20 (FY19: £1,154k).

The Group made a profit for FY20 of £1,091k (FY19: £1,492k).

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.

During the year UK base rate remained stable throughout the year at 0.75% until March 2020 with two base rate cuts in short succession, in response to the likely “sharp and large” economic shock of Covid-19, seeing rates fall to 0.1%, their lowest ever level. This will present challenges to seek suitable positive returns on the maturing investments.

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 FY20 was £186k (FY19: £153k).

A.4 Performance of other activities

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

A.5 Any Other information

In response to Covid-19, Collinson International responded swiftly in terms of business continuity, immediately transitioning to remote working for all operations. Operations teams, working remotely, have successfully dealt with unprecedented call and claims volumes whilst having regard to the interests of both the policyholder and our distributor partners to the forefront. Against this backdrop there has been significant internal action across Collinson to reduce costs and based on current forecasts the Group remains well-capitalised with a comfortable level of liquidity.

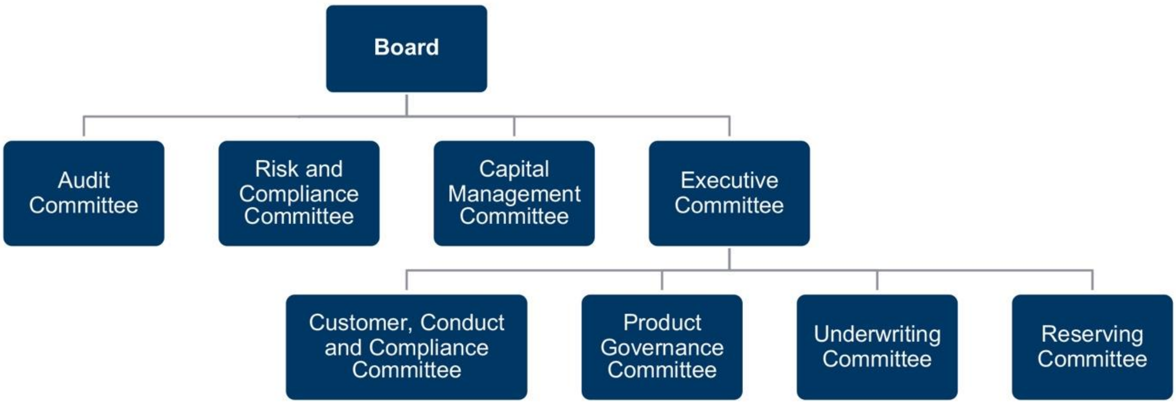
B. System of Governance

B. System of Governance

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

The Group believes in promoting a strong culture of honest and ethical behaviour in the way that it conducts business. In accordance with Collinson's purpose, values and ethics, the Board have implemented a system of governance specifically designed to support informed decision making and clear accountabilities. This system of governance is essential to the smooth running of the business; aids effective decision making and supports the achievement of agreed objectives. The Group's Corporate Governance Framework sets out the principles for strategic and business planning; financial management and reporting; human resource planning and controls; and risk management, compliance and accountability.

The Board and committee structure is summarised below:



B.2 The Board

The Board is ultimately responsible for providing effective leadership with a view to setting and achieving the strategy. The Board delegates its authority to specialist committees (without absolving itself of responsibility) and has delegated clear levels of authority to its committees. It is the Board's responsibility to:

- Oversee the conduct of the business and affairs of the Company;
- Monitor management and endeavour to ensure all material issues affecting the Company are given proper consideration;
- Adopt such policies as it deems advisable and consistent with its responsibilities;
- Provide entrepreneurial leadership of the Company;
- Implement a framework of prudent and effective controls which enable risk to be assessed and managed; and
- Provide effective governance of the Company.

The Board is Chaired by an Independent Non-Executive Director ("iNED") and includes members of Executive and Non-Executive management. A Board Effectiveness Review was carried out in October 2019 by an external firm experienced in governance best practice for regulated firms and all recommendations have been or are in the process of being implemented.

Effective, diverse and robust governance is key to the delivery of the business model and the engagement with stakeholders.

The Board meet at least 3 times a year and more frequently as required to discharge their duties. During the Covid-19 crisis, Board meetings have been convened at least monthly and more frequently when needed to receive information from executive management, assess key risks and impacts including those on solvency and liquidity and mitigation of Covid-19 and approve any changes to strategy, Business plan and forecast.

B.3 Board Committees

B.3.1 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 is chaired by an iNED. Membership consists solely of Non-Executive Directors. In addition to the members, senior management, internal and external auditors are invited to attend and present as required.

The Audit Committee meet at least 3 times a year or more frequently as required. This year the Audit Committee have monitored the progress of driving efficiencies in the delivery of year end statutory and regulatory reporting in line with accelerated timeframes and the implementation of new systems and processes.

B.3.2 Risk and Compliance Committee ("RCC")

The Risk & Compliance Committee 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.

The Risk & Compliance Committee is chaired by an iNED. Membership consists of Executive and Non-Executive Directors including the CEO. In addition to the members, senior management are invited to attend and present as required.

The Risk and Compliance Committee meet at least 3 times a year or more frequently as required. During the Covid-19 crisis, the RCC received an assessment of the impact of Covid-19 from the risk management function. Risk assessments covered the impact to operational and financial risks as well as the impact to key clients, third parties and outsource arrangements. An assessment of the impact to the Company's risk profile was undertaken and reviewed by both the RCC and the Board. This assessment determined the mitigations were sufficient and the Company's risk appetite has not been breached.

B.3.3 Capital Management Committee ("CMC")

The CMC is responsible for assisting the Board in overseeing:

- The development of the Group's capital management strategy;
- The review of the Group's Minimum Capital Requirement ("MCR") and Solvency Capital Requirement (SCR), Technical Provisions and eligible own funds; and
- The production of the Solvency and Financial Condition Report ("SFCR") and Regular Supervisory Report (RSR).
- The development of investment strategy for the own funds, technical provisions and reserves
- The follow up of market risk (liquidity, forex) and counterparty risk arising from banks.

The CMC is chaired by the European Financial Controller. Membership consists of Executive and Non-Executive Directors including the CEO. In addition to the members, senior management from relevant areas of the business including Finance, Actuarial and Risk & Compliance are invited to attend.

B.3.4 Executive Committee

The Executive Committee is designed to provide a forum for the senior team to work together to provide leadership and align business activities. The Executive Committee is chaired by the CEO with Senior Managers from all areas of the business represented.

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 Board. The Executive Committee meet at least monthly or more frequently as required.

During the Covid-19 crisis, the executive committee have met at least weekly with a particular focus on business performance and forecasting, operations and continued customer service and employee wellbeing. Due to necessary cost reductions at this time, the executive committee have implemented an expenses reduction initiative comprising a restructure of some operations where either some planned activities have been paused or where an anticipated downturn in Covid-19 related revenues over the short to medium term need to be matched with a right-sizing of the firms expense base whilst uncertainty over the pace of recovery in some segments, such as Travel, persists. This has had no direct impact on the operation of the Company's key functions, senior management or customer service.

In addition, the Executive Committee has delegated responsibilities to a number of sub-committees, as follows:

B.3.5 Customer, Conduct and Compliance Committee ("CCCC")

The CCCC is responsible for oversight of operational, regulatory and conduct risks facing the business. The CCCC is chaired by the CEO and consists of members from Risk and Compliance, Finance, IT, Claims, Complaints, customer services, HR and the Commercial lines of business.

Key responsibilities of the CCCC are to:

- Manage operational risks, including a review of the operational loss log;
- Monitor conduct and customer risks;
- Monitor staff competence, recruitment and training needs;
- Monitor complaint levels and trends in root causes; and
- Consider emerging operational customer and conduct risks.

The Committee meet every two months and review a number of management information and data inputs, monitor root cause and action plans and track relevant assurance activity.

B.3.6 Product Governance Committee ("PGC")

The PGC is designed to ensure the Company's product governance framework is underpinned by a robust operating structure and processes to deliver good customer outcomes. The PGC is chaired by the CEO and consists of members from Underwriting, Risk and Compliance, Claims and the lines of business (Travel, Health & Accident and Multi lines)

The key responsibilities of the PGC are to:

- Develop, implement and maintain appropriate policies and procedures on product governance for the purpose of ensuring appropriateness of product and distribution to the needs of target customers;
- Provide an oversight of the suitability and performance of existing and new products and distribution partners;
- Review the performance of existing products / schemes versus the customer needs analysis using agreed management information ("MI"); and
- Authorise the development of new risk products including all associated product components and wordings, distribution channels and alignment to customer need.

- Authorise significant changes to product design and distribution.

The PGC meet at least every two months or more frequently for the review and authorisation of new or significant changes to products as well as product and scheme closure. During this period, the PGC have reviewed any changes proposed to product design, terms or administration in line with Covid-19.

B.3.7 Underwriting Committee

The Underwriting Committee is responsible for monitoring the Company's underwriting performance against Board expectations and risk appetite. This includes monitoring the purchase and impact of quota share and excess of loss reinsurance programs and advising the Board of any changes needed in underwriting or reinsurance processes, strategies or risk appetite. The Committee is chaired by the Chief Underwriting Officer and consists of members from Finance, Risk and Commercial Lines of business.

The Underwriting Committee reviews in detail the performance of each of the Company's schemes of business at least annually, seeking annual reconfirmation of reinsurers' capacity participation where needed.

For the review of new business and renewal pricing, portfolio reviews are held on a regular basis, ensuring effective control and approval of pricing models from the Central Underwriting ("CU") function. The membership of each portfolio review includes the responsible underwriter, a cross-line underwriter (as peer-reviewer), pricing lead and loss forecasting lead. Each Deal room is chaired by the Chief Underwriting Officer.

The Underwriting Committee meet at least 3 times a year or more frequently if required.

B.3.8 Reserving Committee

The Reserving Committee is responsible for reviewing and approving the reserving analysis and its output. The Reserving Committee is chaired by the Chief Underwriting Officer and consists of members from Actuarial, Underwriting, Finance, Claims and Commercial lines of business.

Key responsibilities of the Reserving Committee are to:

- Approve and maintain reserving policy and procedures, and
- Review the output of the four-monthly reserving analysis and approve the loss ratios and reserves proposed by the analysis for use in financials and forecasting.

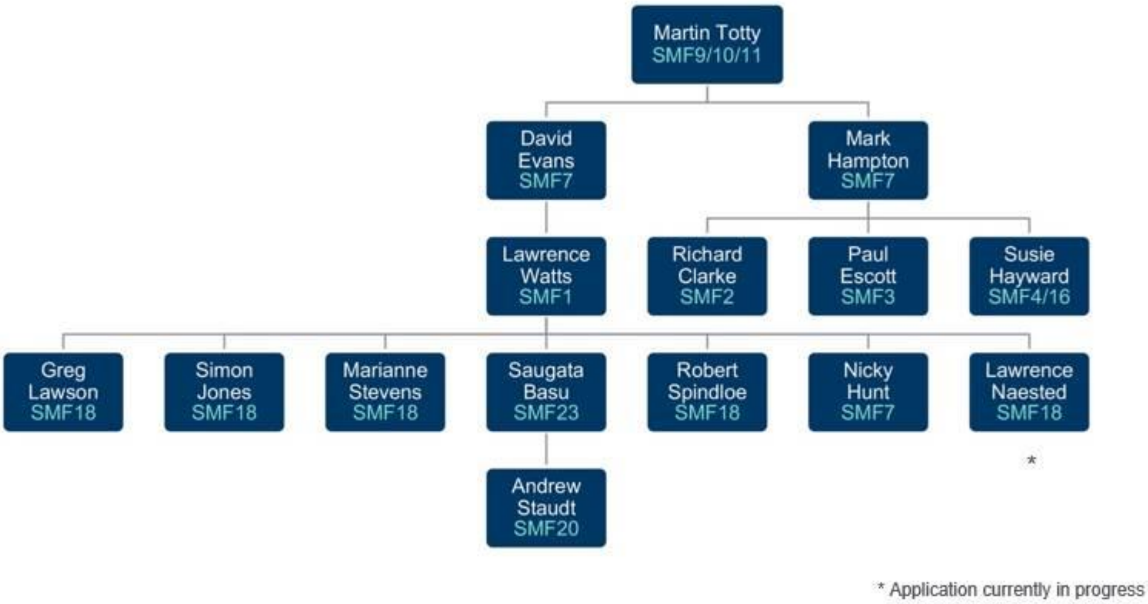
The Reserving Committee meet at least 3 times a year or more frequently if required.

B.4 Material changes in the system of governance over the reporting period

At the date of this report the systems of governance are under review with any changes effective after this reporting period. The following changes were made to the directors of AIL in the period 1 May 2019 to 30 April 2020:

- Lawrence Watts was appointed as a Director on 1 October 2019
- Richard Coleman resigned as a Director on 1 December 2019
- Mark Hampton resigned as company secretary on 16 January 2020
- Susan Hayward was appointed company secretary on 16 January 2020

The diagram below shows the Senior Management reporting lines:



The Company has implemented the Senior Managers and Certification Regime and continues to update individual Statements of Responsibility and Management Responsibility Maps with any changes. All Senior Manager Function holders and Directors are pre-approved by the FCA/PRA.

B.5 Remuneration Policy and entitlements over the reporting period

The Group has an established remuneration policy. Remuneration responsibilities are discharged by the Board without any delegation to a Sub-Committee, with the support of the People and Culture business partner.

Collinson recognises the need to recruit the right people and ensure employees are rewarded based on performance and behaviours that are consistent with the Collinson Group values and strategy.

The following principles are applied to remuneration within our Insurance business:

- Senior members of staff covered by this policy 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
- No changes to remuneration will be made without oversight by members of the Board or a committee with an appropriate level of independence

Collinson offers long term incentive plans to senior employees who are recognised as being key to driving the future of the business but does not offer any form of share-based remuneration.

B.6 Fit and Proper Requirements

B.6.1 Requirements for skills, knowledge and expertise

The Group has a Fit and Proper Policy to assess the fitness and propriety of Directors, Senior Managers and individuals performing one or more Controlled Function and/or Certified Function in accordance with the Senior Managers and Certification Regime.

Such individuals must be fit for their role and responsibilities and hold the qualifications, knowledge and experience necessary to ensure that the role is managed and overseen professionally.

All individuals must adhere to standards of personal, professional and business integrity based on their behaviour, conduct and reputation.

B.6.2 Fitness and Propriety of persons

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.

B.7 Information about the risk management system

The Group has established and embedded a consistent risk management system, supported by appropriate policies and procedures in order 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.

In order to link the approach to risk management with its business strategy, the Company has agreed a set of risk management objectives derived directly from the actions in place to deliver the Company's business strategy. These are as follows:

- To fully implement a transparent risk capacity, appetite and tolerance framework that is widely understood across the business;
- To embed robust risk management practices to manage risks and opportunities appropriately;
- To fully implement practical and commercial risk mitigation techniques that are widely understood and valued;
- To maximise the use of the capital model as a management tool for optimising the underwriting portfolio within the agreed appetite and for early recognition of reserving trends;
- Establish a recognition by its peers, stakeholders and regulators that the Company consistently demonstrates operational excellence in risk and capital management;

- To apply the highest standards of corporate governance, transparency and accountability;
- To implement proportionate and efficient compliance practices and processes, and
- To conduct business with integrity, due skill, care and diligence, observing the highest possible standards of market conduct.

The Company's Risk Appetite is an articulation of the amount of risk that the Board is willing to take given its philosophy or attitude towards risk taking and the business's capacity to bear risk. Risk appetite has been established as a result of careful consideration of financial and non-financial influences including the ability to raise or generate capital and the return on investment for stakeholders.

The Company's appetite for risk will be aligned to the Business Strategy to ensure that key risks are identified and suitable mitigating controls are implemented and monitored. The Risk Appetite statements are agreed and reviewed at least annually by the Board and earlier in case of material change in risk profile or strategy.

A key part of the Company's risk management system 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. The three lines of defence can be summarised as follows:

B.7.1 The First Line of Defence

The first line consists of the Company's Operational managers - responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives.

They are individually and collectively responsible for the implementation of appropriate controls and for monitoring control effectiveness. They are also responsible for ensuring the residual risk assessment (after control application) remains within the Board approved risk appetite.

Risk reporting is processed by the Risk Champions in each Business Unit who must routinely engage within their individual business units in respect of the risk and control assessments; control weakness / failure and to collate key risk indicator and any operational loss data. Business units are expected to refer to the Risk and Compliance functions regarding relevant risk matters on a regular basis.

B.7.2 The Second Line of Defence

The second line comprises the key control functions. The key control functions are responsible for the development and implementation of the risk management framework and policies, and for overseeing adherence to that framework.

The Company's second line of defence relies on the risk management & compliance functions and an external Actuarial function to provide oversight and challenge to the risk-taking business and the first line of defence.

B.7.3 The Third Line of Defence

The third line of defence comprises the Internal Audit function who provide independent assurance to the Board and senior management on the effectiveness of governance, risk management, and internal controls across the Group. The Internal Audit function is governed by the Internal Audit Charter which is reviewed and approved by the Audit Committee on an at least annual basis.

B.7.4 The Board of Directors

The Board is responsible for overseeing the efficacy of the Company's three lines of defence. The Board retains ultimate responsibility for defining the Company's risk appetite and tolerance levels by setting the overall levels of business risk. The Board is also responsible for:

- Shaping and influencing the Company's risk and control culture (i.e. its operating culture) and ensuring that it is appropriate given the risk-taking nature of the organisation's business;
- Reviewing and approving policies for controlling risk;
- Reviewing and monitoring the significant risks from all sources that are being directly and indirectly assumed by Insurance and providing direction as required;
- Ensuring that there are sufficient and appropriate risk management resources within AIL and
- Ensuring it receives timely, relevant and appropriately detailed information and assurances from Management, Internal Audit and other assurance providers regarding overall risk profile. Ultimately the Board must be satisfied that the Company is "in control" of its significant financial and non-financial risks.

The Board may choose to delegate oversight of Actuarial and Internal Audit Functions to the Audit Committee and of the Risk and Compliance Functions to the Risk and Compliance Committee.

B.7.5 Risk Identification and Assessment

All areas of the business manage risk on an ongoing basis as part of their day to day responsibilities in line with commercial activities, strategy and the operational processes in place to support these. New risks or changing risk exposure is therefore likely to be identified through normal ongoing work and monitoring activities in line with procedures applicable to the relevant departmental responsibilities and activities.

Each Business Unit has appointed a Risk Champion to maintain the risk register in that area of the business. Risk are identified and reported to the Risk Champion for recording in the Risk Register. Risks may be identified during the normal course of business and all staff are encouraged to engage with the risk champion for the identification of risks in their area.

Each risk within the Risk Register is allocated to a specific "Owner" by the Risk Champion. The Risk Owner is an appropriately experienced person operating in the particular area of the business to which the risk relates. Risk Owners are expected to ensure identified risks are properly communicated and updated to the Risk Champion for capture in the risk register.

Once identified, the Company adopts a number of methodologies to assess the risks within the overall universe. These methodologies depend on the risk category and sub-category; and the metrics and information available. All methods of assessment contribute towards decision making on risk management strategy, business strategy and planning.

The risk management and actuarial functions provide the tools and methods for risk assessment but responsibility for data quality and inputs reside with the business owners. The key principles for risk assessment are as follows:

- All risks may be assessed using multiple methodologies;
- Controls not operating effectively should be identified and rectified;
- Risk assessments can be challenged by the risk management function;
- Capital Model outputs should be validated using pre-defined methods and tools, and
- Committees should be presented with the most up to date assessments.

In quantitative risk assessments a numerical estimate is made of the probability that a defined loss will result from the occurrence of a particular event. Quantitative risk assessments can be determined where the risk data can be modelled (e.g. Standard formula capital model), or assessed using pre-defined stress and scenario events.

Qualitative risk assessment involves making a formal judgement on the consequence and probability using: Risk = Severity x Likelihood.

Application of the above criteria allows the Company to compare each risk with an assigned appetite / tolerance level. Risks that exceed appetite / tolerance must receive immediate attention and a plan must be defined to bring the residual assessment down to within acceptable levels. Comparison with appetite for all risk categories is supported by a number of metric driven risk reports and supporting (RAG rated) Key Risk Indicators ("KRIs"). The KRIs are designed to provide early warning mechanisms, indicating where appetite has been, or may potentially be, breached. All KRI reports are subject to review and ongoing development. Any issues are escalated to the Risk and Compliance Committee and Board where strategic decision making may be impacted.

B.7.6 Stress and Scenario Testing

Stress and scenario tests are carried out, at least annually, to determine the expected financial and non-financial consequences of adverse circumstances and events arising within the relevant time horizon. Quantifying risks using this approach is core to the Company's Risk Assessment and Business Planning processes.

Stress and Scenario analysis will enable the Board to form a clear understanding of how the business may be affected by various changes in operating environment and the key vulnerabilities of the Company's business model. The analysis is intended to support more informed decision making and is a key tool used by the Executive Management and Board when analysing the organisation's risk profile and when considering the strategic direction of the business.

The Group will continue to enhance and expand its current approach in the following ways:

- Expand the scope of the stress and scenario framework to include consideration of alternative business plan projections. This will help inform strategic decision making and validate the associated capital projections produced by the capital model. The results will be captured within the Own Risk and Solvency Assessment ("ORSA") and reviewed by the Risk and Compliance Committee and Board;
- To embed the framework so that Management can identify the most relevant scenarios given the current / prospective socio-economic environment, market cycle and the firm's stakeholder / regulatory requirements. Scenario analysis can then be demonstrably used as an input to the strategic planning and risk oversight processes;
- To use the Capital Model to quantify scenarios relating to the firm, whilst recognising the importance of qualitative factors (e.g. reputation), and
- To develop the firm's Reverse Stress Testing framework as a key risk management tool to identify potential vulnerabilities in the business model.

Stress and scenario tests will be reviewed at least twice yearly with updates to existing scenarios and new scenarios developed as required. Where considered necessary or prudent, Risk Owners and sub - committees should develop contingency plans or implement additional controls/mitigation to respond to a plausible event identified by a stress and scenario should it occur.

Whilst risk management has assumed day-to-day responsibility for driving and coordinating the framework, it is assisted by other key functions, Risk Champions and Committee members at various points of the process in order to develop realistic scenarios, assess the impact of those scenarios on the business and define appropriate management responses where required.

B.7.7 Implementing the Risk Management System

The Company implements appropriate processes to monitor and report the performance of the business against agreed risk appetite standards and metrics.

These control processes provide Management with sufficient information to monitor the current position of the business for the purposes of future planning and reporting. The key monitoring methods include:

- Capital Modelling – calculation of the forecast capital requirements utilising the standard formula;

- Qualitative Risk & Control assessments – inherent and residual risk assessments; design and performance of controls;
- Emerging Risks – identify and assess the potential impact to the business as risk information becomes more widely known;
- Loss Events – identify, assess and record the actual / potential impact of operational loss events and near misses;

- Stress, Scenario and Reverse Stress Testing – expected consequences of adverse circumstances,
- Use Test – embedded use of the capital model results for decision making pertinent to the Company; and
- Dashboard reporting to Board and Sub-committees of Key Risk Indicators.

In addition, the ORSA process provides the short- and long-term view of risks faced by the Company and the level of own funds appropriate to support its risk profile and internal control environment.

The effectiveness of the Company's decision making is determined by the quality of the information upon which the decision is based and the ability of the business to implement effective actions to ensure operations are within approved risk appetite.

Risk management information is gathered from the business units as part of business as usual operations. The Company has data governance arrangements to help ensure business data is of sufficient quality to be fit for purpose.

The key decision-making forums are the Board and supporting Committees which meet on a regular basis in accordance with their respective terms of reference. Key decisions are captured in the meeting minutes and form the basis for approved action plans.

The business units operate agreed processes and procedures to implement the requirements of the Risk Management policy and framework. Risk appetite limits are communicated to the business and monitored by the RCC for compliance.

The Risk Management policy and framework will be subject to independent assurance by the Internal Audit function.

B.8 Conducting the Group's Own Risk and Solvency Assessment

The Group is required to undertake an Own Risk and Solvency Assessment (ORSA) at least annually. The ORSA is integral to the Company's risk and capital management framework, incorporating a series of processes which ensure an appropriate level of capital is maintained to support the risks taken by the business. It also ensures that solvency levels always meet regulatory requirements and align with strategic goals. The ORSA process is defined by the ORSA Policy.

The ORSA is both a process and report and forms a key part of how the firm conducts business, aligning its Solvency Capital Requirement (SCR); risk management system and the Supervisory Review Process (SRP) under the 3-Pillar based Solvency II regime. It also feeds into the wider strategic decision making and business performance management processes.

By definition, the ORSA is the entirety of the processes and procedures deployed by the firm to:

- Identify, assess, monitor, manage, mitigate and report the short- and long-term risks it faces, and
- Determine the level of own funds appropriate to support its risk profiles and internal control environment.

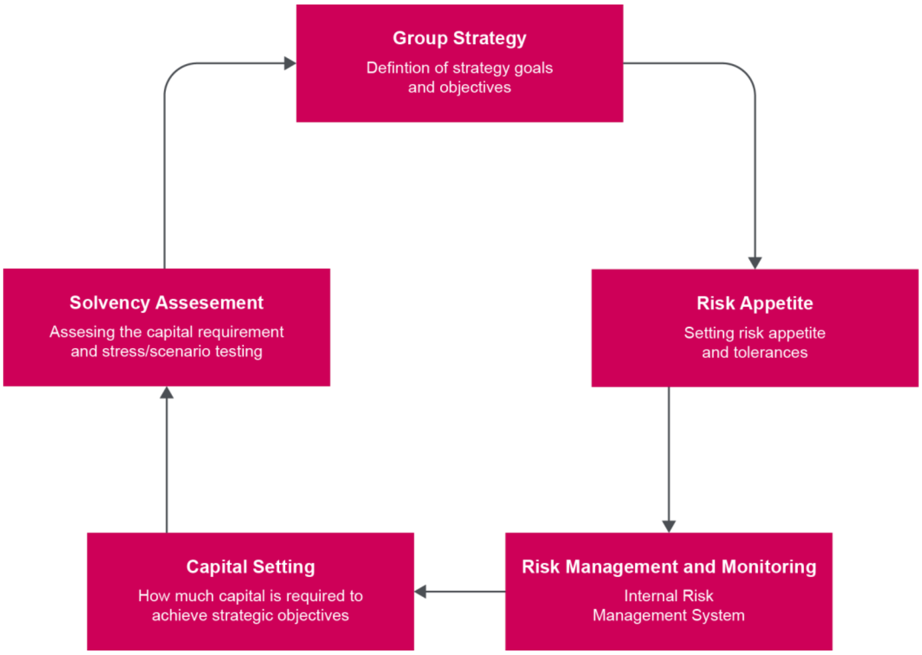
To ensure overall solvency needs are always met:

- Assesses its total solvency needs taking into account its risk profile, stated risk tolerance levels and limits and its business strategy;
- Validates the adequacy of the methods used in the assessment; and
- Enforces compliance with regulatory requirements.

The ORSA process is designed to enhance risk quantification, allowing better use of risk bearing capacity for new and existing business whilst remaining within the relevant strategy and appetite. It aids senior Management in understanding the breadth of risks to which the overall business is exposed, identifying those risks where value is most created and which drive the firm's capital requirements. This in turn facilitates more informed risk-based decision making, in particular through linking pricing, portfolio management, and reinsurance purchasing and other decisions to the economic view of the business. The forward-looking nature of the ORSA supports contingency planning and emerging risks processes.

The Group has aligned its ORSA process with its business planning, risk management and capital management processes as shown in figure 1 below. The ORSA will increasingly assist and direct key decisions that will impact the strategy of Group and other Collinson companies given the intragroup dependencies and the shared responsibilities of the Management team.

Figure 1



The policy is produced at least annually with key metrics monitored and reported to the RCC. The ORSA report contains both static and dynamic information and presents a summary of the key components of the strategy, risk and capital planning and management environment.

Throughout the financial year, updates to the ORSA are reported to the Board as the strategy develops in response to internal / external events and influences.

B.8.1 Roles and Responsibilities

The Board assumes overall responsibility for the ORSA and has delegated the day to day responsibility for managing the underlying processes to the risk management team in cooperation with the Finance, Actuarial and Underwriting teams.

The ORSA is reviewed and approved by the Board and shared with the PRA. Any actions arising from the ORSA are documented and monitored by the RCC.

An ORSA will be undertaken upon any planned or unplanned material change in the risk profile of the Group.

Preparation of an ORSA outside the usual timetable will be driven by any expected changes in the risk profile, the financial situation and/or the subsequent impact on the solvency requirements.

B.9 Description of the Internal Control System

The Group maintains an internal control system that governs the effectiveness and efficiency of all the Group operations, reliability of financial and regulatory reporting and compliance with the applicable laws and regulations. The control system is built upon the following core principles:

- The costs do not outweigh the benefits;
- Staff at all levels can understand the importance of maintaining adequate control and apply the procedures correctly, and
- Processes and procedures demonstrate a direct relationship between the AIL strategic objectives, risk appetite and required mitigating controls.

B.9.1 Control Activities and Components

B.9.1.1 Control environment

The standards, processes and structures that provide the foundation for carrying out internal control measures include the following elements:

- Ethical values and competence (quality) of personnel;
- Direction provided by the Board;
- Organisational structure;
- Assignment of authority and responsibility including appropriate segregation of duties, delegated authorities and clear assessment and review processes (4 eyes principle); and
- Management's philosophy and operating style.

B.9.1.2 Control activities

Control activities are established through policies and procedures to mitigate risks. Control activities are performed at all levels and at various stages within business processes. They include a range of activities including information validation, physical controls, segregation of duties, and security of assets and reviews of operating performance.

B.9.1.3 Information and communication

Relevant and quality reporting from internal and external sources is produced to facilitate the running and control of the business.

Effective communication enables staff to receive clear, consistent messages to assist them in understanding their role in the control system and the need to report control performance information to Management and external parties as required.

B.9.1.4 Monitoring

The Compliance team undertakes regular reviews as part of their annual plans to ensure that the Internal Control framework remains fit for purpose. Findings are reported to the RCC and the Board.

B.9.1.5 How the Compliance team is deployed

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.

B.9.1.6 Compliance Risk Assessment

The Compliance team plans its monitoring activities across all business areas on an annual basis. The areas selected for Compliance monitoring and the type and frequency of the monitoring activity, is based upon the level of perceived risk each business area poses to the business. Compliance and Risk Management teams work closely together to align the assessment of regulatory risk with the risk register and ensure that high risk areas are incorporated.

B.10 Internal Audit

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 Group Head of Internal Audit, forms the Group'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 Group 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 Group 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.11 Actuarial Function

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").

The AFR is produced annually by a senior Actuary from WTW who acts as the Group's senior insurance management function holder 20: Chief Actuary ("SMF20"). The AFR provides an independent opinion and recommendations on the Company's Solvency II Technical Provisions, Underwriting policy and Processes, and Reinsurance processes. The recommendations of the Chief Actuary are presented to the Board, and the progress of actions is tracked and reported to the Executive Committee.

B.12 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 Board determines the decision to outsource activities. Key outsourcing considerations are that the operational activities will not:

- Materially impair the quality of the system of governance in place;
- Increase the customer, regulatory or operational risk;
- Impair the ability of the appropriate regulator to monitor how AIL complies with its regulatory responsibilities, or
- Undermine continuous and satisfactory service to policyholders.

The scope of permitted outsourcing and processes to be followed in outsourcing any service or function is detailed in the Board approved Outsourcing Policy. The Board has delegated approval of any new outsourcing arrangement to the Product Governance committee.

Specific controls have been put in place to ensure AIL maintains sufficient oversight of its outsourced arrangements. These include: due diligence; contractual arrangements; assurance over the protection of the security and confidentiality of customer data; adequacy of Business Continuity and Disaster Recovery plans, Conduct Risk Management Information and the appropriate monitoring by the lines of business and Compliance team.

The Company has an intra-company 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
- Distribution, sales and complaint handling for all lines

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

B.13 Any other information

The Group considers it has an established corporate governance system that effectively provides for the sound and prudent management of the business.

During the Covid-19 crisis the systems of governance have provided a framework for informed decision making and clear roles and responsibilities. The Risk Management Framework has provided independent validation and assurance to the Board and its committees, while the Internal Controls Framework has remained strong and intact. The need for immediate response to the evolving events required changes to operational working practices, communications to customers and partners and engagement with all key stakeholders. Board and Committee meetings have been convened as required and decisions clearly documented and implemented.

C. Risk Profile

C. Risk Profile

C.1 The Company's Risk Profile

The material risks for the Group are classified within 4 broad categories; insurance risk (comprising of Health and Non-Life underwriting risk, including premium and reserve risk), market risk (mainly FX risk), credit risk (comprising Bank, Reinsurer and Premium counterparties), and operational risk. The Group then also considers any other risks that fall outside of these categories, such as liquidity and strategic risk. For each of these material risks, the assessment and the mitigation are analysed in this section. The sensitivity to stress tests is also considered.

The components of the Solvency Capital Requirement (SCR) as at 30 April 2020 are shown below:

SCR Components	2020	2020
SCR Components Group and Solo	**£'000**	**Component % of Undiversified BSCR**
Health underwriting risk	1,999	13
Non-life underwriting risk	9,689	65
Counterparty default risk	2,158	15
Market risk	1,023	7
Undiversified Base SCR	14,869	100
Diversification credit	(3,305)	-
Basic SCR	11,564	-
Operational Risk	1,714	-
Solvency capital requirement	13,278	-

With regard to Covid-19 the impact to our 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 Group's underwriting risk modules comprise 78% of risk capital which we find appropriate as our business does not take significant investment risks, and only deals with A-rated reinsurers, which makes the non-underwriting risks contributing lower proportions of the overall risk capital.

C.1.1 Insurance Risk (including Reserve Risk)

C.1.1.1 Material risks

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. At 30 April 2020, Insurance underwriting risk comprises 78% of the total undiversified Base SCR.

C.1.1.2 How the Company assesses the risk

The following measures are in place to assess AIL's exposure to underwriting risk:

- The Company has a team of experienced Underwriters with industry expertise in the products we write. The Company's underwriters set policy wording terms and conditions for new business and manage changes to coverage on existing schemes. For new business they price to target levels of underwriting margin and manage existing business to achieve those target underwriting margins.

- Underwriters review emerging data on premiums and claims on a regular basis (usually monthly or quarterly) and recommend appropriate changes to product coverages, terms and conditions and price as part of the Product Governance Committee. For material blocks of business an annual re-pricing review exercise, which also seeks engagement from AIL's reinsurers, is conducted.
- The Actuarial Reserving Team will monitor and, three times a year, reset loss ratios and reserves.
- Underwriting performance, reserves and loss ratios feed into the business planning and budgeting process, the monthly trading reports, and the executive performance report. This enables the commercial and risk management teams to monitor against risk appetite and tolerances set.
- Reserving Policy, Reinsurance Policy and Underwriting governance, including underwriting authorities and procedures, have been adopted as part of the systems of governance and are reviewed and approved by the Board on an annual basis.

C.1.1.3 How the Company mitigates the risk

Underwriting risk is mitigated by implementing the underwriting processes described in section C1.1.2 and in addition:

- Single source performance information to be produced on a regular basis, feeding into the underwriting and management processes and informing decision making. The Company has also invested in improvements to the analytical processes – including new reserving processes and underwriting management information and pricing models.
- The Company underwrites, both as primary insurer and as a reinsurer, general insurance risks for Travel, International Health and Assistance in the UK, Europe and selected countries within Africa during 2019. The Company's portfolio consists of individual policies spread across the whole geographical area, minimising concentration risk. As well as pricing, the Company has additional controls to segment the market and target those risks it wishes to underwrite.
- The nature of the Company's product portfolio 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.
- The Company undertakes a triannual review of reserving loss ratios 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.
- Our Underwriting Governance processes including the Dealrooms 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.1.2 Market risk

C.1.2.1 Material risks

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.

Market risk at 30 April 2020 comprises 7% of the total undiversified Base Solvency Capital Requirement (BSCR).

The main risk to AIL within this category arises from movements in the relative value of currencies impacting income and/or the value of its assets and liabilities.

C.1.2.2 How the Company assesses the risk

The following measures are in place to assess the AIL exposure to the currency risk component of market risk:

- AIL holds both assets and liabilities in currencies other than Sterling, and continually monitors the level of foreign currency exposure across the AIL balance sheet as a whole.
- Bank and cash positions held in Sterling and non- Sterling currencies are monitored on a daily basis.
- Claims cash flow patterns associated with Sterling and non- Sterling insurance liabilities are monitored and regularly reviewed.
- The current and future duration of non- Sterling assets and the duration of non- Sterling liabilities are monitored and regularly reviewed.

C.1.2.3 How the Company mitigates the risk

The Company's 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 Underwriting Committee 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 Capital Management Committee.

The Company does not currently use derivatives to manage currency exposure.

C.1.3 Credit Risk

C.1.3.1 Material risks

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.

Credit risk at 30 April 2020 comprises 15% of the undiversified BSCR.

C.1.3.2 How the Company assesses the risk

The following measures are in place to assess AIL's exposure to Credit risk:

- Cash balances are reviewed daily;
- A weekly cash balance report is prepared and reviewed;
- A daily treasury report is prepared and reviewed;
- The standard formula calculation of AIL's SCR includes an assessment and quantification of credit risk;
- An assessment of credit risk is included within the ORSA, and
- Total levels of debt and deposits are managed to within agreed limits. An allowance for bad debt is maintained and regularly monitored by the Operational Finance team.

C.1.3.3 How the Company mitigates the risk

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

- The Company's banks used by AIL currently have a credit rating of A or higher.
- The Company has significant cash holdings which are held across a number of banks.
- The Company limits its investment with each bank to a level agreed with the Capital Management Committee
- Regular monitoring of cash balances and concentration limits is managed by the Operational Cash Management team reporting to the Finance Leadership Team
- The Company has a minimum reinsurer credit agency rating (A.M. Best) of A- with its principle Quota Share reinsurers being Munich Re and Axis Re, both carrying a rating of A+.
- The Company's Excess of Loss reinsurance panel also comprises of reinsurers with a minimum credit rating of A-. The panel is composed primarily of Lloyd's reinsurers.
- The Company maintains intercompany debt with Collinson entities. The Board policy is to maintain these debts at a minimum reducing AIL's counterparty credit exposure.
- The Company performs due diligence, including financial due diligence on all insurance intermediaries

Exposure to credit risk in respect of amounts due from policyholders is mitigated by the Company's large customer base and the low average level of balances outstanding. The Company is not exposed to concentrations of credit risk in respect of policyholders.

The CMC meets on a quarterly basis and is responsible for monitoring these risks with a focus on policy holder premium debt, as well as ensuring that investments comply with its investment policy and monitoring the performance of the investment portfolio against plan.

C.1.4 Operational Risk

C.1.4.1 Material Risks

The Company is exposed to operational risk – which is defined as economic loss, resulting from failed or inadequate controls, processes, or systems, or from human or external events. 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 Operational Risk Policy consists of Companywide processes embedded at business function level and sets out the agreed methodologies for identifying, assessing, mitigating and reporting operational risk. The processes include**:**

- Internal loss data collection;
- Quarterly review of operational risks by the business in conjunction with risk management, and
- Operational risk event reporting and analysis.

As a standard formula company the Operational Risk SCR charge is primarily driven by premium volumes especially premium volume growth.

Operational risk at 30 April 2020 comprises 13% of the final SCR.

In the execution of its day to day activities AIL has identified the following potential sources of operational risk:

- Conduct Risk - inadequacy or failure of employees in the execution of their duties or the inability to recruit suitable or sufficient employees or from the loss of a person, persons of a team vital to the running of the business;
- Outsourcing & Third-Party Service Provider Risk – the Company uses a number of third parties and there are risks associated from inadequate, inappropriate or failed provision of these outsourcing services;
- Project & Change Management Risk – from inadequate or failed project and change management activities;
- Data Risk – the client (e.g. policyholder / reinsurer), industry or third-party provider data may be lost, stolen, corrupted or the subject of cyber-attack;
- Financial Crime Risk – from deliberate, intentional and potentially illegal activities occurring within AIL and from the deliberate illegal activities of third parties;
- Legal and Regulatory Risk - associated with the breach of, or a change in, a local country or international statute, directive or financial services industry regulations to which the Company does not react appropriately;
- Business Interruption Risk – the damage to or loss of any people (e.g. pandemics), physical assets (e.g. access to business premises) or any other interruption to business as usual activities
- Systems and Cyber Risk - failure or underperformance of AIL's IT network including software programmes and / or applications, hardware (such as PC's and laptops) and telecommunication tools such as the telephone system, mobiles, IPad's etc., will have a detrimental effect on the Company's ability to operate and service customers.
- People Risk – the risk of dependency on key individuals, ineffective succession planning and skills and expertise of staff.

C.1.4.2 How the Company assesses the risk

The Company aims to keep the operational risks outlined above within its risk appetite by maintaining a sound control framework. Operational risks are primarily identified, assessed and managed by the AIL business units. The AIL operational risk and internal controls are kept under continual review by the business and are subject to a formal, quarterly review by risk management alongside the business. Any update is fed into the risk register and reviewed by the RCC.

The standard formula calculation of the Company SCR includes an assessment and quantification of operational risk.

An assessment of operational risk is included within the ORSA.

C.1.4.3 How the Company mitigates the risk

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

As underwriting premium growth continues to be a key driver of Operational Risk SCR, the Company 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.1.5 Liquidity Risk

C.1.5.1 Material Risks

Liquidity refers to the ability to generate sufficient cash resources to meet payment obligations. The Company's investment strategy is to invest funds in deposits with a duration of less than one year reducing exposure to liquidity risk.

The Company has a minimal exposure to liquidity risk due to short-term cash flow mismatches or gaps that create an adverse business condition, that may otherwise create future liquidity short fall.

Liquidity risk is not explicitly included within the standard formula SCR calculation.

C.1.5.2 How AIL assesses & mitigates the risk

The following measures are used to assess liquidity risk:

- The Company monitors and reassesses existing investment portfolios on a regular basis to identify any emerging liquidity risks, and
- The Company has established and maintains a system of management reporting and monitoring against insurance liability duration.

Liquidity risk 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.

C.1.6 Other Material Risks

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

C.1.6.1 Strategic Risk

Strategic Risk, defined as "failure to set and implement an appropriate strategy", has been assessed as within the AIL risk appetite. The targets set out within the AIL 3-year business plan are purposely designed as stretched. Given the new business, organic growth prospects and opportunities seen to date, for new products tailored to meet the needs of identified customer groups, the targets are deemed reasonable.

It is recognised that strategic risk underpins every risk taken by the business and exists simply by virtue of operating within a dynamic business environment. To this extent, whilst not explicitly modelled, the downside (consequences) of inappropriate strategic decisions will be assessed within each risk contributing to the SCR.

C.1.6.2 Covid-19 Risk

The Covid-19 crisis that unfolded during March 2020 culminating in the World Health Organisation's declaration of a global pandemic and the UK PM's speech announcing a lockdown has triggered coverages in the Company's travel insurance policies. Claims arising from the Travel medical coverage have been few, as people were not able to travel, but conversely the holiday cancellation coverage in our Travel policies have been triggered at the same time. The two perils have therefore offset each other to some degree reducing the financial impact on the Company. Our quota share and Excess of Loss reinsurances have further mitigated the impact. Throughout this period, as consumer's claim volumes peaked, our Claims Handling teams have provided an exemplary service to our customers from dealing with general inquiries to supporting them with information around refund avenues available to paying and settling the valid insurance claims against the Company's policies. While the claims risk has been mitigated in this way, loss of premium volume that ensued will have a larger impact. Although impacting this financial year only in the final two months, March and April, the roll forward impact of low sales will be visible in the coming financial year. The figures presented in his report take into account the impact of Covid-19 and the mitigations, described earlier within this report, which the Company has put in place.

C.1.6.3 Group Risk

The Company recognises that it relies on the Collinson Group for arranging claims handling, IT and HR services. This operational dependency exposes AIL to Group risk. AIL together with its shareholders and intercompany relations, keep this commercial model under constant review.

C.2 Risk Exposure to Off Balance Sheet and Special Purpose Vehicle

The Company has no exposure to off balance sheet items or special purpose vehicles.

C.3 Volume and Nature of Loan Portfolio

The loans within the Company are inter-company funding balances in relation to on-going trading activities.

C.4 Expected loss of profit from Liquidity risks

The Company has no exposure to loss of profit associated with liquidity risks.

C.5 Expected loss of profit from future premiums

The Company's balance sheets contain exposure to loan assets at 30 April 2020.

C.6 Methods used, assumptions made and outcomes of stress testing for material risks and events

C.6.1 Stress and Scenario Testing

As Covid-19 unfolded we saw that the more impact was on our business volumes rather than any increase in our claims. The reduction in premium and the associated risk capital elements outstripped any increase in due to the higher claims and reserve risk capital with the corresponding reduction in the SCR leading to an improvement in the coverage ratio. We have therefore focussed on stresses which deteriorate our coverage ratio.

During FY20 the Company performed a range of Stress and Scenario Tests ("SST's") with input from key personnel throughout the business (Underwriting, Finance and Capital Modelling) aimed at identifying any additional capital requirements that may be required to absorb losses should large shocks occur.

Risk Category	Test Name
Insurance	Loss of all business from largest Health and/or Travel partner
Insurance	Major un-modelled health loss event/catastrophe
Insurance	Travel Market softens
Credit	Largest bank counterparty defaults
Credit	Reinsurer dispute, delays in settlement of material recovery
Credit	Reinsurer default, not able to settle obligations
Operational	Mass systems failure / cyber attack
Group	Change in profit share arrangement between AIL and CISL: 4.5%, 3% and 0%
Group	AIL / CIEL reinsurance not authorised after Brexit

The Company also conducts sensitivity analysis to adequately understand the risks it is exposed to:

- Changes in economic assumptions:
  - Interest rates: -50bps, +50bps
  - US$ asset exposure: -50%, +50%
  - Euro asset exposure: -50%, +50%
- Changes in non-economic assumptions:
  - 10% increase in expenses
  - 10% increase in gross loss ratio

The results of these tests demonstrated that the Group has sufficient capital to withstand the scenarios identified and would not be in danger of breaching its regulatory capital requirement.

C.7 Any other information

The directors do not consider that there is any further information which should be disclosed regarding the risk profile of the Company.

D. Valuation for Solvency Purposes

D. Valuation for Solvency Purposes

The Solo financial statements have been prepared in accordance with UK GAAP. The Group does not prepare separate consolidated GAAP accounts, however 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 (2019: £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 63 contains both the Group and Solo qualitative reporting templates (QRTs) prepared for the Company and AIHL as at 30 April 2020.

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. At 30 April 2020, 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 £7,027k 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") £(744)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 contains AIL's balance sheet in summary form (refer to column "1") alongside the UK GAAP balance sheet (refer to column "2"). The differences in asset and liability valuations between the GAAP balance sheet (in the format of a Solvency II QRT) and Solvency II balance sheet are presented in column "3" with further analysis between presentation differences (column 3.2) and differences in valuation and recognition between the GAAP balance sheet and Solvency II balance sheet (column 3.1).

Consolidated UK GAAP financial statements are not currently prepared and accordingly the Group Solvency II balance sheet has not been presented.

Astrenska Insurance Limited	1. Solvency II	2. UK GAAP	3. Difference SII vs.UK GAAP	3.1 Valuation differences	3.2 Presentation differences
Assets:	£'000	£'000	£'000	£'000	£'000
Deferred acquisition costs	-	7,027	(7,027)	(7,027)	-
Financial investments	24,747	24,668	79	-	79
Reinsurance assets (Reinsurers share of TP's)	3,984	4,268	(283)	233	(517)
Receivables insurance	662	6,524	(5,862)	138	(6,000)
Receivables reinsurance	3,088	437	2,651	(200)	2,851
Receivables trade not insurance	5,529	6,575	(1,046)	-	(1,046)
Cash and cash equivalents	9,510	9,510	-	-	-
Deferred tax asset	159	159	(0)	-	-
Other Assets	-	176	(176)	(99)	(77)
Total assets	47,679	59,343	(11,664)	(6,955)	(4,709)

Astrenska Insurance Limited	1. Solvency II	2. UK GAAP UK GAAP	3. Difference SII vs.UK GAAP	3.1 Valuation differences	3.2 Presentation differences
Liabilities:	£'000	£'000	£'000	£'000	£'000
Technical provisions non-life	19,499	21,849	(2,350)	(5,887)	3,537
Insurance payables	329	7,492	(7,163)	-	(7,163)
Reinsurance payables	14	626	(613)	-	(613)
Payables trade not insurance	4,244	4,768	(524)	(54)	(470)
Other liabilities	-	744	(744)	(744)	-
Total liabilities	24,085	35,479	(11,394)	(6,684)	(4,709)
Excess of assets over liabilities	23,594	23,864	(270)	(270)	-

(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.

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.12 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 £159k was recognised during the year.

At 30 April 2020, AIL has unused tax losses of £9,298k.

D.2 Technical Provisions

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

£'000	Medical Expenses	Assistance	Miscellaneous Financial Loss	Total
Claims Provisions	2,205	4,354	627	7,186
Premium Provisions	7,915	2,350	1,579	11,844
Total Best Estimate	10,120	6,704	2,206	19,030
Risk Margin	285	114	69	468
Technical Provisions – Total	10,405	6,818	2,275	19,498
Total Recoverables from Reinsurance	(945)	(3,040)	-	(3,984)
Technical Provisions – Net of Reinsurance	9,461	3,778	2,275	15,514

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 three lines of business; Medical Expenses, Assistance and Miscellaneous Financial Loss;
- 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 has been considered as a specific event and 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.
- As at 30 April 2020, the Company has incurred losses in respect of the Covid-19 pandemic, equivalent to 15% of its gross claim provisions. It expects to recover a significant proportion of these losses through its existing reinsurance arrangements.

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 Munich Re, Canopius and Axis Re 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	38
Non-Economic	94

- 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.12).

D.2.8 Reconciliation between UK GAAP and Solvency II valuation

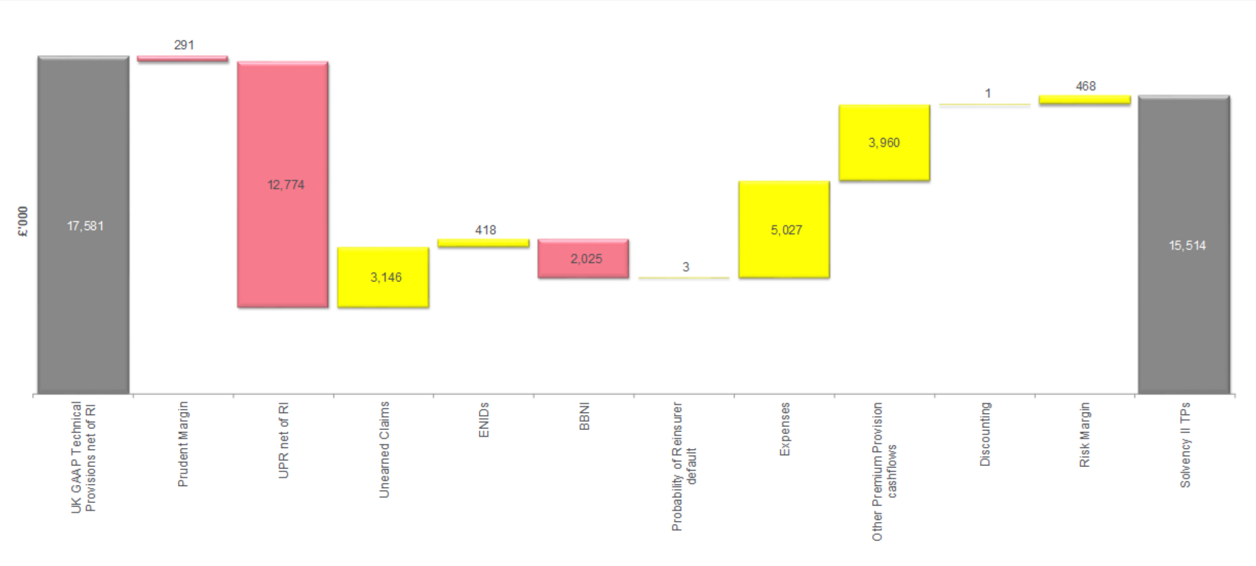
The table below shows the comparison between UK GAAP and SII valuations:

	UK GAAP Value				Solvency II Value			
£'000	Medical Expense	Assist-ance	Misc. Financial Loss	Total	Medical Expense	Assist-ance	Misc. Financial Loss	Total
Provision for claims outstanding	2,235	4,362	735	7,332				
Provision for unearned premium	4,774	5,340	4,403	14,517				
Best estimate Claims Provision					2,205	4,354	627	7,186
Best estimate Premium Provision					7,915	2,351	1,579	11,845
Risk Margin					285	114	69	468
Gross Technical Provisions	**7,009**	**9,702**	**5,138**	**21,849**	**10,405**	**6,819**	**2,275**	**19,499**
Total Recoverables from Reinsurance	(670)	(3,598)	-	(4,268)	(945)	(3,040)	-	(3,985)
Net Technical Provisions	**6,339**	**6,104**	**5,138**	**17,581**	**9,460**	**3,779**	**2,275**	**15,514**

- 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);
- 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 2020 – Net of Reinsurance



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

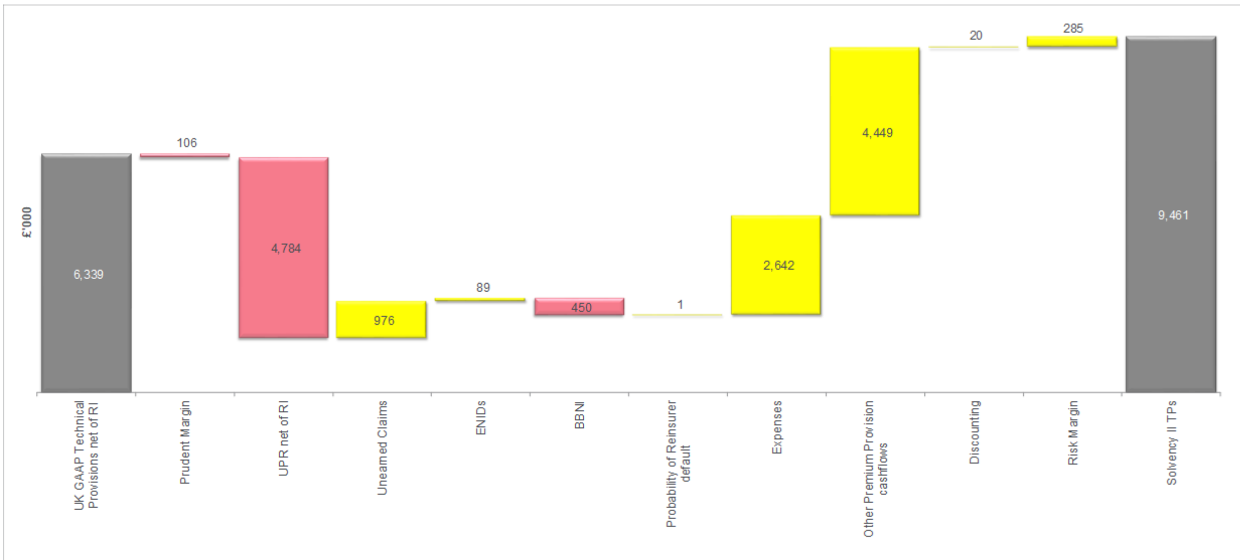
Please note that within the above waterfall the UK GAAP Technical provisions value of £17,581k does not include either DAC or reinsurers' share of DAC.

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.

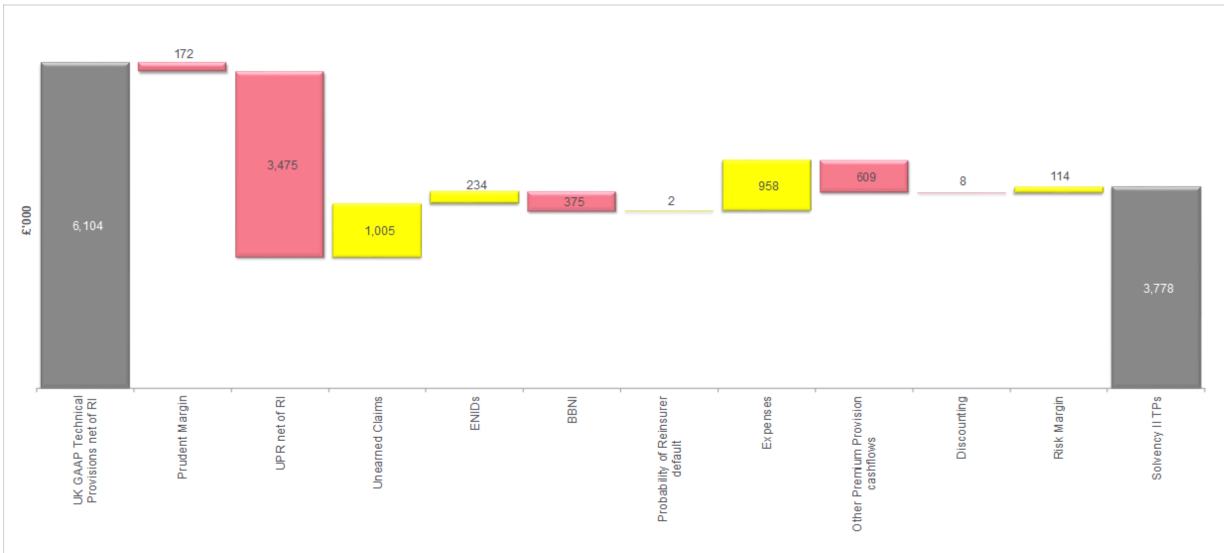
The graphs below show the impact of the above headings of adjustment separately for SII lines of business – Medical Expenses, Assistance and Miscellaneous Financial Loss.

Medical Expenses: Comparison of UK GAAP and SII Technical Provisions as at 30 April 2020 – Net of Reinsurance



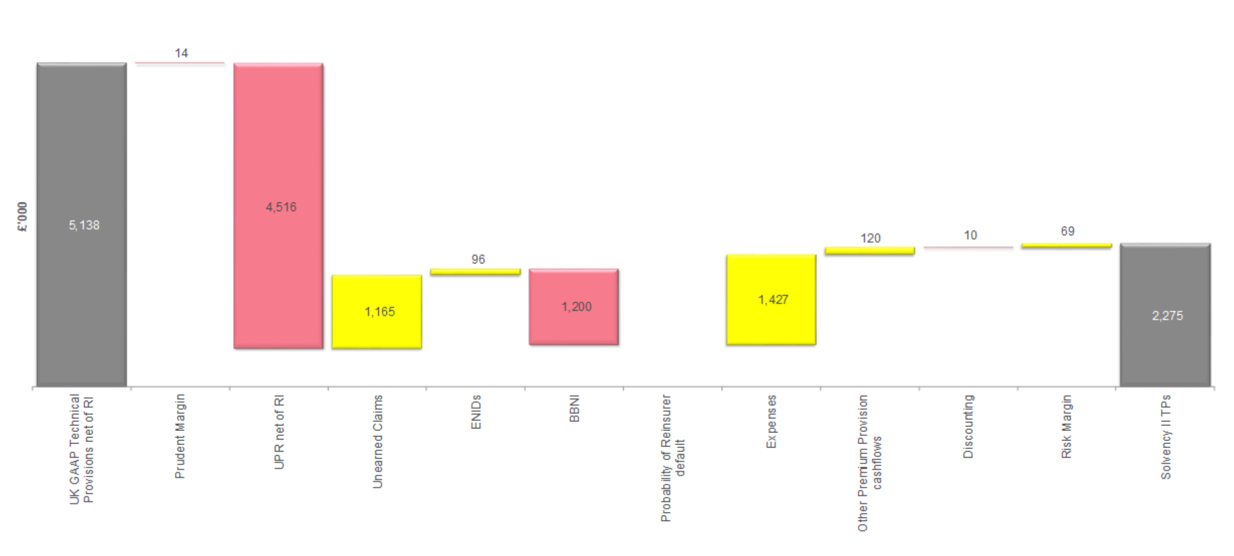
Please note that within the above waterfall the UK GAAP Technical provisions value of £6,339k does not include either DAC or reinsurers' share of DAC.

Assistance: Comparison of UK GAAP and SII Technical Provisions as at 30 April 2020 – Net of Reinsurance



Please note that within the above waterfall the UK GAAP Technical provisions value of £6,104k 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 2020 – Net of Reinsurance



Please note that within the above waterfall the UK GAAP Technical provisions value of £5,138k does not include either DAC or reinsurers' share of DAC.

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.

D.2.9 Matching adjustment, volatility adjustment and transitional provisions

The Company does not utilise any of these arrangements.

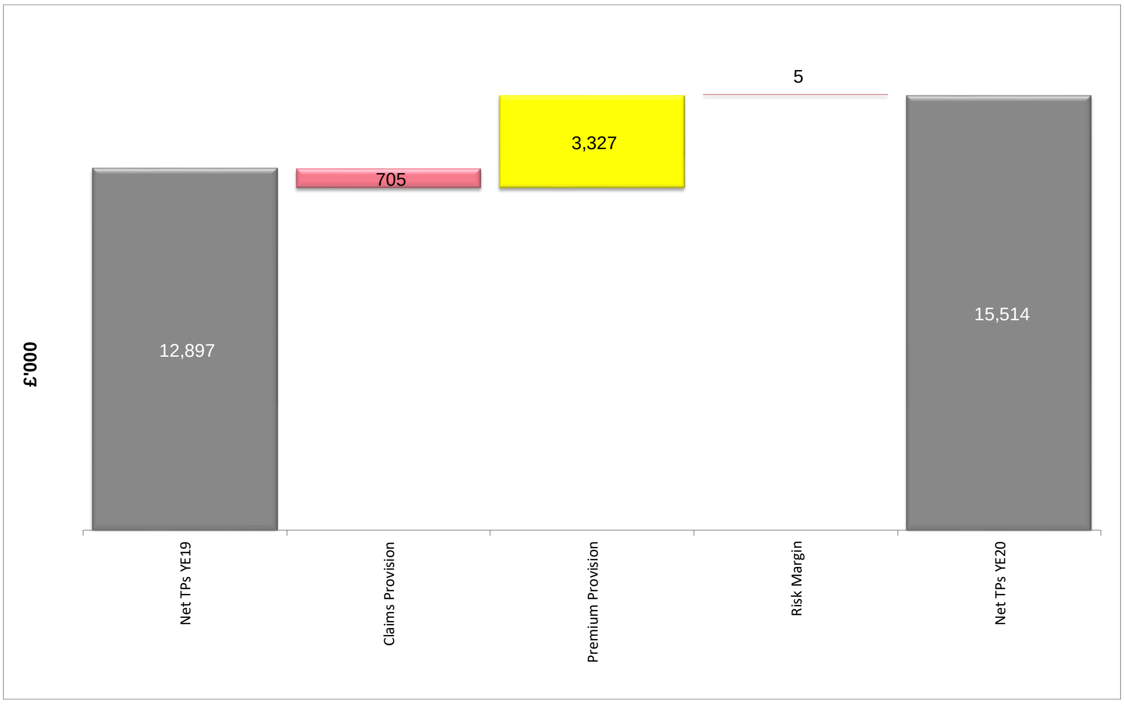
D.2.10 Changes to technical provisions from previous reporting period

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. It expects to recover a significant proportion of these losses through its existing reinsurance arrangements.
- Recalculated Risk Margin after above changes.

The following graph shows the walk from year end 2019 Solvency II TP's to year end 2020 Solvency II TP's.

SII Technical Provisions FY19 to FY20 – 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 the Company has a long-standing QS arrangement with Munich Re. The Company also has QS treaties with Axis Re and Canopius. We strictly adhere to our appetite in terms of security of reinsurers with all our reinsurers are 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

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 is 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. Currently the Group considers that the normal operating range for the level of coverage of its SCR (the Group uses the standard formula to calculate its SCR), lies within the range of 130% to 170%. The Group believes that operating at this level of coverage allows it to meet regulatory and operational capital requirements and maintain capital strength to ensure policyholder requirements are met.

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 during 2020.

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

Analysis of basic own funds (Group)	2020	2019
	£'000	£'000
Share capital issued and fully paid	23,615	23,615
Reconciliation reserve	(180)	(822)
Basic own funds to cover the MCR	**23,435**	**22,793**
Deferred tax asset	159	159
Basic own funds to cover the SCR	**23,594**	**22,952**

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 £180k (being the amount by which the assets exceed liabilities after deduction of Tier 1 capital instruments and the deferred tax asset) and a deferred tax asset of £159k.

A reduction in the "negative" reconciliation reserve has resulted in an increase of basic own funds of £642k during 2020.

Analysis of basic own funds (Solo)	2020	2019
	£'000	£'000
Share capital issued and fully paid	16,000	16,000
Reconciliation reserve	7,435	6,793
Basic own funds to cover the MCR	**23,435**	**22,793**
Deferred tax asset	159	159
Basic own funds to cover the MCR and SCR	**23,594**	**22,952**

The main components of 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 £7,435k and a deferred tax asset of £159k.

The increase in the reconciliation reserve has resulted in an increase of basic own funds of £642k during 2020.

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 2019 and the excess of assets over liabilities as presented in the Group and Company Solvency II balance sheets as at 30 April 2020 is presented in the table below.

Analysis of basic own funds (Solo)	2020	2019
UK GAAP	£'000	£'000
Issued share capital	16,000	16,000
Retained earnings	7,864	6,773
Total capital and reserves	23,864	22,773
Adjustments to move to SII valuation:		
Technical provisions & DAC, difference in valuation GAAP vs. SII	(163)	254
GAAP assets not recognised on the Solvency II balance sheet: prepayments	(107)	(75)
GAAP liabilities not recognised on the Solvency II balance sheet	-	-
SII asset surplus (i.e. SII assets less SII liabilities)	**23,594**	**22,952**

Other information

No own funds items are subject to transitional arrangements.

At 30 April 2020 and at 30 April 2019, 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 £23,594k 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 £23,594k 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 2020.

MCR	2020	2019
	£'000	£'000
Absolute floor MCR	3,319	3,298
Linear MCR	4,766	5,706
SCR	13,278	14,296
Combined MCR	4,766	5,706
MCR	4,766	5,706

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 £940k (2020: £4,766k vs. 2019: £5,706k) has been driven primarily by the reduction in net written premiums during the year, primarily as a consequence of business now underwritten by CIEL.

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 reviewed the assumptions underpinning the standard formula and assessed that continued use of the standard formula to calculate the SCR remained 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 £23,594k of eligible unrestricted own funds to cover the SCR at 30 April 2020 (the SCR at 30 April 2020 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 £13,278k as at 30 April 2020 (30 April 2019: £14,296k), after taking diversification credit.

SCR (Group and Solo)	2020	2020	2019	2019
	£'000	Component % of BSCR	£'000	Component % of BSCR
Health underwriting risk	1,999	13	2,632	16
Non-life underwriting risk	9,689	65	9,502	57
Counterparty default risk	2,158	15	1,937	12
Market risk	1,023	7	2,684	16
Undiversified Base SCR (BSCR)	**14,869**	**100**	**16,755**	**100**
Diversification credit	(3,305)	-	(4,590)	-
Basic SCR	11,564	-	12,165	-
Operational Risk	1,714	-	2,131	-
Solvency capital requirement	13,278	-	14,296	-

The 2020 SCR of the Group has decreased by £1,018k to £13,278k (2019: £14,296k).

This decrease is attributable mainly to the following modules of the SCR:

Non-life underwriting risk

Non-life underwriting risk has increased by £187k during the year (2020: £9,689k vs. 2019: £9,502k). 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.

Health underwriting risk

Health underwriting risk reduced by £633k (2020: £1,999k vs. 2019: £2,632k) 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.

Counterparty default risk

Counterparty default risk increased by £221k (2020: £2,158k vs. 2019: £1,937k) following an increase in exposure to A- rated and above banks and reinsurance partners.

Market risk

Has reduced by £1,661k (2020: £1,023k vs. 2019: £2,684k). This category consists of interest rate risk and currency risk. The main driver in the reduction of market risk is twofold. Firstly, to mitigate the currency risk actions have been taken to ensure closer matching of assets and liabilities in underlying currencies. Secondly, the transfer of Euro denominated portfolios to CIEL has reduced the Company's overall exposures.

The impact of these changes was offset by a reduction in diversification credit of £1,284k (2020: £3,305k vs. 2019: £4,589k).

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.

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 the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

During the financial year ended 30 April 2020 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 £159k 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 0.7% 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 2020

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

6 August 2020

Auditor’s Report and Opinion

Report of the independent external auditor to the Directors of Astrenska Insurance Holdings Limited pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms and the Company’s voluntary compliance with Rule 2.1 of that Part.

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion

We are engaged by Astrenska Insurance Holdings Limited (‘the Group’), comprising Astrenska Insurance Holdings Limited and the authorised entity Astrenska Insurance Limited, to perform an audit of the nature prescribed by Rule 4.1(1) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms, in all respects as though that Part applied to the Group notwithstanding its status as a small group for external audit purposes.

Except as stated below, we have audited the following documents prepared by the Group as at 30 April 2020:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Group as at 30 April 2020 (‘**the Narrative Disclosures subject to audit**’); and
- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 (‘**the Group Templates subject to audit’**); and
- Company templates of Astrenska Insurance Limited S.02.01.02, S.17.01.01, S.23.01.01, S.25.01.21 and S.28.01.01 (‘**the Company Templates subject to audit’**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the ‘**relevant elements of the Group Solvency and Financial Condition Report**’.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Group Solvency and Financial Condition Report;
- Group templates S.05.01.02 and S.05.02.01;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report (‘**the Responsibility Statement**’).

To the extent the information subject to audit in the relevant elements of the Group Solvency and

Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and

Financial Condition Report of Astrenska Insurance Holdings Limited as at 30 April 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is not appropriate; or
- the Directors have not disclosed in the Group Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter – Basis of Accounting & Restriction on Use

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections and other relevant disclosures of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

This report is made solely to the Directors of the Group in accordance with our initial letter of engagement dated 14 May 2018 and the addendum letter dated 22 July 2019. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Our responsibility, as set out in our initial letter of engagement dated 14 May 2018 and the addendum letter dated 22 July 2019, is to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.** The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements.

In accordance with our initial letter of engagement dated 14 May 2018 and the addendum letter dated 22 July 2019, we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP

Ernst & Young LLP

London

06 August 2020

The maintenance and integrity of the Company web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Group Solvency and Financial Condition Report since it was initially presented on the web site.

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	30/04/2020
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: 2019-04-30

Display currency: GBP

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	159
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	24,747
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	24,747
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	3,984
Non-life and health similar to non-life	R0280	3,984
Non-life excluding health	R0290	3,040
Health similar to non-life	R0300	945
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	663
Reinsurance receivables	R0370	3,088
Receivables (trade, not insurance)	R0380	5,529
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	9,510
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	47,679
Technical provisions - non-life	R0510	19,499
Technical provisions - non-life (excluding health)	R0520	9,093
TP calculated as a whole	R0530	0
Best Estimate	R0540	8,910
Risk margin	R0550	183
Technical provisions - health (similar to non-life)	R0560	10,405
TP calculated as a whole	R0570	0
Best Estimate	R0580	10,120
Risk margin	R0590	285
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	329
Reinsurance payables	R0830	14
Payables (trade, not insurance)	R0840	4,244
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	24,085
Excess of assets over liabilities	R1000	23,594

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2019-04-30

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	Assistance	Miscellaneous financial loss	
		C0010	C0110	C0120	C0200
Premiums written					
Gross - Direct Business	R0110	-366	27,867	8,877	36,379
Gross - Proportional reinsurance accepted	R0120	8,969	3,333	0	12,302
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	-414	11,328	5	10,919
Net	R0200	9,017	19,872	8,872	37,761
Premiums earned					
Gross - Direct Business	R0210	10,408	34,763	4,192	49,363
Gross - Proportional reinsurance accepted	R0220	4,742	3,096	0	7,838
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	4,657	12,116	5	16,778
Net	R0300	10,494	25,743	4,187	40,424
Claims incurred					
Gross - Direct Business	R0310	4,238	10,130	1,126	15,494
Gross - Proportional reinsurance accepted	R0320	1,572	1,215	0	2,787
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	2,123	4,285	0	6,409
Net	R0400	3,687	7,060	1,126	11,872
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	6,831	15,054	6,721	28,606
Other expenses	R1200				
Total expenses	R1300				28,606

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2019-04-30

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	25,135	2,107	1,190	-716	3,215	1,566	32,497
Gross - Proportional reinsurance accepted	R0120	85	0	0	8,884	3,333	0	12,302
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	5,283	1,013	572	-88	1,579	753	9,113
Net	R0200	19,937	1,094	618	8,255	4,969	813	35,686
Premiums earned								
Gross - Direct Business	R0210	23,977	2,747	1,551	8,594	4,191	2,041	43,101
Gross - Proportional reinsurance accepted	R0220	85	0	0	4,657	3,096	0	7,838
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	4,871	1,221	690	3,860	1,897	907	13,446
Net	R0300	19,210	1,525	862	9,391	5,390	1,133	37,511
Claims incurred								

Gross - Direct Business	R0310	9,172	515	291	2,338	786	383	13,483
Gross - Proportional reinsurance accepted	R0320	-105	0	0	1,687	1,205	0	2,787
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	2,773	247	139	1,130	437	183	4,909
Net	R0400	6,294	268	151	2,894	1,554	199	11,362
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	15,103	829	468	6,254	3,764	616	27,034
Other expenses	R1200							
Total expenses	R1300							27,034

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2019-04-30

Display currency: k GBP

S.23.01.22 - 01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	23,615	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	-180	-180			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	159				159
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	23,594	23,435			159
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	23,594	23,435			159
Total available own funds to meet the minimum consolidated group SCR	R0530	23,435	23,435			
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	23,594	23,435	0		159
Total eligible own funds to meet the minimum consolidated group SCR	R0570	23,435	23,435	0		
Minimum consolidated Group SCR	R0610	4,766				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	4.92				

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	23,594	23,435	0		159
Group SCR	R0680	13,278				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.78				

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2019-04-30

Display currency: k GBP

S.23.01.22 - 02

Own funds

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	23,595
Own shares (included as assets on the balance sheet)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	23,774
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	-180
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	131
Total EPIFP	R0790	131

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2018-04-30

Display currency: k GBP

S.25.01.22

Solvency Capital Requirement (for groups on Standard Formula)

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	1,023		
Counterparty default risk	R0020	2,158		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	1,999		
Non-life underwriting risk	R0050	9,689		
Diversification	R0060	-3,305		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	11,563		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,714
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	13,278
Capital add-on already set	R0210	
Solvency capital requirement	R0220	13,278
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	4,766
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	13,278

Legal name: Astrenska Insurance Holdings Limited, Closing date: 2018-04-30

Display currency: k GBP

S.32.01.22

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.

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-30
Display currency: k GBP

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	159
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	24,747
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	24,747
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	3,984
Non-life and health similar to non-life	R0280	3,984
Non-life excluding health	R0290	3,040
Health similar to non-life	R0300	945
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	663
Reinsurance receivables	R0370	3,088
Receivables (trade, not insurance)	R0380	5,529

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	9,510
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	47,679
Liabilities		
Technical provisions - non-life	R0510	19,499
Technical provisions - non-life (excluding health)	R0520	9,093
TP calculated as a whole	R0530	0
Best Estimate	R0540	8,910
Risk margin	R0550	183
Technical provisions - health (similar to non-life)	R0560	10,405
TP calculated as a whole	R0570	0
Best Estimate	R0580	10,120
Risk margin	R0590	285
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	329
Reinsurance payables	R0830	14
Payables (trade, not insurance)	R0840	4,244
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	24,085
Excess of assets over liabilities	R1000	23,594

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-30
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	Assistance	Miscellaneous financial loss	
		C0010	C0110	C0120	C0200
Premiums written					
Gross - Direct Business	R0110	-366	27,867	8,877	36,379
Gross - Proportional reinsurance accepted	R0120	8,969	3,333	0	12,302
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	-414	11,328	5	10,919
Net	R0200	9,017	19,872	8,872	37,761
Premiums earned					
Gross - Direct Business	R0210	10,408	34,763	4,192	49,363
Gross - Proportional reinsurance accepted	R0220	4,742	3,096	0	7,838
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	4,657	12,116	5	16,778
Net	R0300	10,494	25,743	4,187	40,424
Claims incurred					
Gross - Direct Business	R0310	4,238	10,130	1,126	15,494
Gross - Proportional reinsurance accepted	R0320	1,572	1,215	0	2,787
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	2,123	4,285	0	6,409
Net	R0400	3,687	7,060	1,126	11,872
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	6,831	15,054	6,721	28,606
Other expenses	R1200				
Total expenses	R1300				28,606

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-30 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	25,135	2,107	1,190	-716	3,215	1,566	32,497
Gross - Proportional reinsurance accepted	R0120	85	0	0	8,884	3,333	0	12,302
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	5,283	1,013	572	-88	1,579	753	9,113
Net	R0200	19,937	1,094	618	8,255	4,969	813	35,686
Premiums earned								
Gross - Direct Business	R0210	23,977	2,747	1,551	8,594	4,191	2,041	43,101
Gross - Proportional reinsurance accepted	R0220	85	0	0	4,657	3,096	0	7,838
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	4,871	1,221	690	3,860	1,897	907	13,446
Net	R0300	19,192	1,525	862	9,391	5,390	1,133	37,493

Claims incurred								
Gross - Direct Business	R0310	9,172	515	291	2,338	786	383	13,483
Gross - Proportional reinsurance accepted	R0320	-105	0	0	1,687	1,205	0	2,787
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	2,773	247	139	1,130	437	183	4,909
Net	R0400	6,294	268	151	2,894	1,554	199	11,362
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	15,103	829	468	6,254	3,764	616	27,034
Other expenses	R1200							
Total expenses	R1300							27,034

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-30

Display currency: k GBP

S.17.01.02

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Medical expense insurance	Assistance	Miscellaneous financial loss	
		C0020	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	7,915	2,351	1,579	11,844
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	242	1,308	0	1,550
Net Best Estimate of Premium Provisions	R0150	7,673	1,043	1,579	10,294
Claims provisions					
Gross	R0160	2,205	4,354	627	7,186
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	702	1,732	0	2,434
Net Best Estimate of Claims Provisions	R0250	1,503	2,622	627	4,752
Total Best estimate - gross	R0260	10,120	6,704	2,206	19,030
Total Best estimate - net	R0270	9,175	3,664	2,206	15,046
Risk margin	R0280	285	114	69	468
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	10,405	6,818	2,275	19,499
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	945	3,040	0	3,984
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	9,461	3,778	2,275	15,514

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-3 Display currency: k GBP

S.19.01.21 - 02 Underwriting

Non-life Insurance Claims Information

Accident year / Underwriting year	Z0020	2

Gross Claims Paid (non-cumulative)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											0
N-9	R0160	0	0	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	342	6,644	14,983	-922	163	4	15				
N-5	R0200	181	9,594	10,859	415	144	69					
N-4	R0210	323	12,927	8,580	1,765	408						
N-3	R0220	576	12,806	10,362	2,497							
N-2	R0230	501	10,868	9,194								
N-1	R0240	415	6,977									
N	R0250	328										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	0	0
	R0160	0	0
	R0170	0	0
	R0180	0	0
	R0190	15	21,228
	R0200	69	21,261
	R0210	408	24,001
	R0220	2,497	26,240
	R0230	9,194	20,563
	R0240	6,977	7,393
	R0250	328	328
Total	R0260	19,487	121,015

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	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	0	0	0	0	0	15	8				
N-5	R0200	0	0	0	0	178	187					
N-4	R0210	0	0	0	1,274	153						
N-3	R0220	0	0	2,730	770							
N-2	R0230	0	3,295	1,483								
N-1	R0240	0	3,509									
N	R0250	807										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	0
	R0170	0
	R0180	0
	R0190	0
	R0200	187
	R0210	153
	R0220	769
	R0230	1,482
	R0240	3,509
	R0250	807
Total	R0260	6,907

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-30 Display currency: k GBP

S.23.01.01 - 01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector 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	7,435	7,435			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	159				159
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	23,594	23,435			159
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	23,594	23,435			159
Total available own funds to meet the MCR	R0510	23,435	23,435			
Total eligible own funds to meet the SCR	R0540	23,594	23,435	0	0	159
Total eligible own funds to meet the MCR	R0550	23,435	23,435	0	0	
SCR	R0580	13,278				

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-30 Display currency: k GBP

MCR	R0600	4,766
Ratio of Eligible own funds to SCR	R0620	1.78
Ratio of Eligible own funds to MCR	R0640	4.92

S.23.01.01 - 02

Own funds

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	23,594
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	16,159
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	7,435
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	131
Total Expected profits included in future premiums (EPIFP)	R0790	131

Legal name: Astrenska Insurance Ltd, Closing date: 2019-04-30 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	1,023		
Counterparty default risk	R0020	2,158		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	1,999		
Non-life underwriting risk	R0050	9,689		
Diversification	R0060	-3,305		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	11,563		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,714
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	13,278
Capital add-on already set	R0210	
Solvency capital requirement	R0220	13,278
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: 2019-04-30

Display currency: k GBP

S.28.01.01 - 01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	4,766

		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	9,461	9,017
Income protection insurance and proportional reinsurance	R0030		
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		
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	3,778	19,872
Miscellaneous financial loss insurance and proportional reinsurance	R0130	2,275	8,872
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	4,766
SCR	R0310	13,278
MCR cap	R0320	5,975
MCR floor	R0330	3,319
Combined MCR	R0340	4,766
Absolute floor of the MCR	R0350	2,173
Minimum Capital Requirement	R0400	4,766

Glossary

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 Requiremnt
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

Collinson

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 2,100 passionate people working in 18 locations worldwide.

Contact Us

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