UIA (Insurance) Ltd

Solvency and Financial Condition Report (unaudited)

As at 31 December 2019

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Solvency and Financial Condition Report

Summary

Business and performance

UIA (Insurance) Ltd is a personal lines UK based mutual insurance Society, underwriting mostly Fire & Property Damage (Household) business. All lines of business are underwritten in the UK.

This is the Solvency and Financial Condition Report (SFCR) for UIA (Insurance) Ltd for the year ending 31 December 2019 (the Valuation Date). It is published on our website following review and approval by the Board.

Until 2017 our external auditor (Deloitte) was responsible for the audit of this report. However, the SFCR has not been audited since, as the Society has utilised an exemption from this requirement since 2018, following changes to the PRA's policy on the external audit of the public disclosure requirement.

Our combined underwriting and investment performance generated a total pre-tax loss of £1.2m for our members (2018: £8.1m). Combined with an increase in our pension scheme deficit, our Society's net assets reduced by £2.9m (2018: £5.8m reduction).

At the end of the year, the Society had total assets amounting to £64.0m (2018: £73.0m) of which £46.1m (2018: £50.9m) were investment fund assets. Retained profits totalled £27.5m (2018: £30.3m) providing 194% (2018: 194%) coverage of our Solvency Capital Requirement (SCR).

Systems of governance

We are governed by a Board that at the end of the year comprised of nine Directors: two Executive Directors and seven non-Executive Directors, one of whom is nominated by our trade union partners. The remaining six non-Executive Directors are independent. There was one non-Executive Director vacancy at the end of the year, which was filled on 4 February 2020. The Society has an Audit Committee, a Risk Committee and a Nominations and Remuneration Committee.

The day-to-day operations of the Society are managed by the Chief Executive Officer (CEO) under delegated authority from the Board. The CEO is assisted in fulfilling this responsibility by a variety of working groups. Each group is comprised of the Executive Directors and senior managers of the Society and has specific terms of reference and reporting lines.

We are committed to ensuring all members of our Board, and other senior individuals within our Society, behave with integrity, honesty and skill. This commitment is documented in the Fitness and Propriety Policy. We meet the requirements of the Senior Managers and Certification Regime (SM&CR) applying a variety of processes to ensure appropriate standards of fitness and propriety are met and maintained, both prior to appointment and on an ongoing basis thereafter.

The Board is accountable to the members of the Society for ensuring an appropriate system of internal control is maintained, and for reviewing its effectiveness. Taking account of the limitations in any system of control, the system is designed to limit rather than eliminate the risk of failure and, as such, can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk profile

The risks associated with our SCR are:

- Underwriting;
- Market;
- Credit;
- Liquidity;
- Operational; and
- Pension.

These are considered individually in Section 4. Of those listed above, the most significant risk relates to the Society's share of the UNISON defined benefit pension scheme. This is included in the Annual Report and Financial Statements with a liability of £10.3m. The Society's share of the overall Scheme's net liability is circa 5%; the scheme has a last man standing clause in place, which adds to the Society's risks. A strategic review of the pension provision across UNISON is in progress; the Society is represented in this strategic review.

Valuation for solvency purposes and capital management

The Society's solvency valuation is based on UK GAAP accounting standards and uses the Solvency II guidance and principles to translate the UK GAAP balance sheet into a Solvency II balance sheet. The main translation differences are the recalculation of the technical provisions using a best estimate approach as defined by the Solvency II Regulations.

As a mutual entity, our own funds are 100% of members' funds arising from retained profits from past underwriting and investment surpluses. As such, all capital is Tier 1 and there are no restrictions on the availability of our funds to support the SCR or Minimum Capital Requirement (MCR).

Our SCR is calculated using the standard formula basis, having reviewed the assumptions underlying the formula and assessed them as being appropriate for the firm. As at the Valuation Date, we have a Solvency Ratio of 194% (2018:194%), as shown below (£'000s).

Solvency category	2019	2018	Change
Market Risk	7,299	9,941	(2,642)
Counterparty Risk	1,482	2,144	(662)
Non-life Underwriting Risk	8,619	9,783	(1,164)
Diversification credit	-4,006	-5,153	1,147
Basic solvency capital requirement	13,394	16,715	(3,321)
Operational Risk	671	755	(84)
LACDT	-166	-269	102
Solvency capital requirement	**13,899**	**17,201**	**(3,302)**
Own funds	27,022	33,386	(6,364)
Surplus	13,123	16,186	(3,062)
Solvency ratio	**194%**	**194%**	**0%**

A. Business & Performance

A.1 UIA's Business

This is the Solvency and Financial Condition Report (SFCR) for UIA (Insurance) Ltd for the year ending 31 December 2019 (the Valuation Date). It is published on our website following review and approval by the Board.

We are authorised and regulated by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA'). Our Firm Reference Number is 110863, which you can use if you want to write to either regulator. The PRA is responsible for our financial supervision. You can contact the PRA by writing to Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA or by calling 0207 601-4878. The FCA is responsible for regulating our conduct. You can contact the FCA by writing to the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS or calling 0207 066-1000.

As a Category 5 firm, the Society does not have a named supervisor and is managed by the smaller insurer team. Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks.

UIA (Insurance) Ltd is a personal lines UK based mutual insurance Society. The Society underwrites the following lines of business: Fire & Property Damage (Household and Home Emergency) and Legal (Before the Event and After the Event) Insurance. With the exception of household business, the other personal lines classes are 100% reinsured. All lines of business are underwritten in the UK.

The average number of full time equivalent employees including Executive Directors during 2019 was 158 (2018:148).

Our external auditor is Deloitte LLP, Statutory Auditor, Manchester, UK, responsible for the audit of the Society's Financial Statements. Deloitte were previously responsible for the audit of this report. However, the SFCR has not been audited since 2017, as the Society has utilised an exemption from the requirement to have the SFCR audited, following changes to the PRAs policy on the external audit of the public disclosure requirement, set out in their Policy Statement PS25/18.

Our investment manager is Royal London Asset Management Ltd (RLAM), who manage our insurance related investments.

A.2 Underwriting performance

The 2019 underwriting losses of £2.7m (2018: £7.5m) have been primarily driven by the earnings impact of loss making household business written in previous years (summary figures below).

Item	2019	2018
Gross written Premium	£18.5m	£22.7m
Net Earned Premium	£18.8m	£21.6m
Underwriting Profit/Loss	(£3.4m)	(£8.4m)
Household Loss Ratio	59%	81%
Combined Operating Ratio	119%	138%
Household Policies in force at year end	75,217	101,527
Average new premium per Household Policy	£194	£171

The decrease in loss ratio from 2018 is due to corrective pricing and underwriting actions, lower exposure to loss making aggregator business and the absence of large events such as the 2018 'Beast from the East' claims event.

A.3 Investment performance

Our net of tax investment performance, comprising investment income and realised and unrealised gains net of investment management expenses, was a profit of £2.3m (2018: loss of £0.2m). Further detail by asset class is contained on page 62 of the Society's Annual Report and Accounts.

Item	2019	2018
Net Investment Income and Amortised Interest	£1.21m	£1.52m
Realised Gains/Losses	£0.51m	(£0.39m)
Unrealised Gains/Losses	£0.63m	(£1,353m)
Investment Expenses	(£0.02m)	(£0.01m)
Net Investment Result	**£2.33m**	**(£0.2m)**

In late 2019, the Board took the prudent decision to divest assets from RLAM's Sterling Credit Fund and transfer it to their Cash Plus Fund, to reduce volatility and exposure to Spread Risk. This has increased the short dated assets held by the Society, but does mean that expected investment returns going forward will be at a lower level previously.

A.4 Overall performance

The above underwriting and investment performance, combined with other income, led to a pre-tax loss for our members of £1.2m (2018: £8.1m). Our share of the UNISON defined pension benefit liability increased by £1.7m (2018: £2.3m reduction). Combined with the above, our Society's net assets reduced over the course of 2019 by £2.9m (2018: £5.8m reduction).

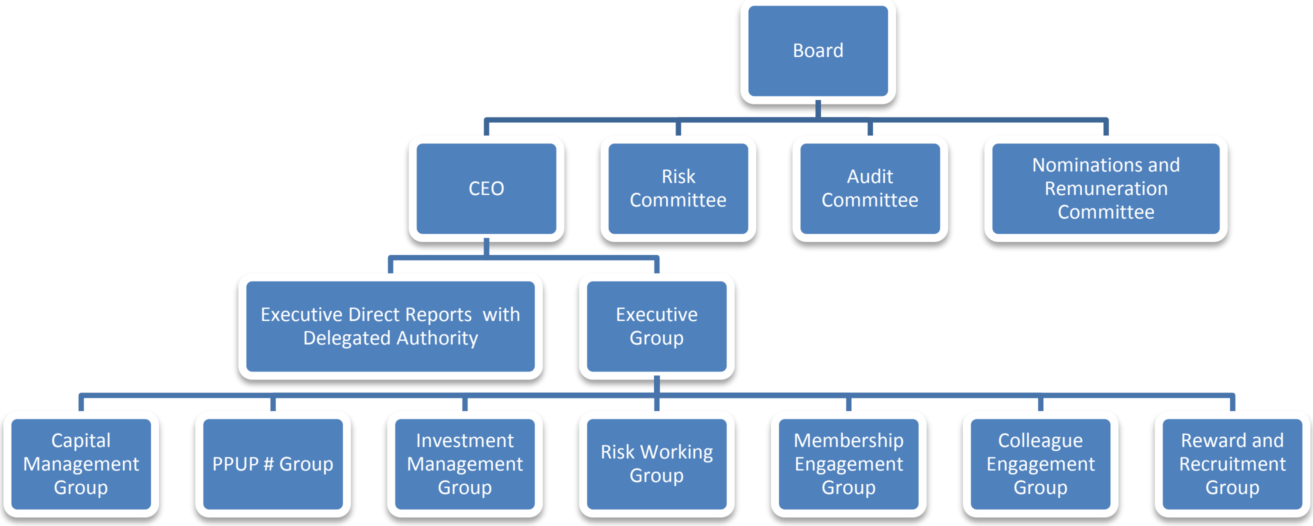
At the end of the year, we had total assets amounting to £64.1m (2018: £73.0m) of which £46.1m (2018: £50.9m) were investment fund assets. The decrease in total assets is primarily explained by underwriting losses, the increase in the pension deficit and smaller number of in force policies following corrective pricing and underwriting actions.

Retained profits at the end of the year totalled £27.5m (2018: £30.3m), providing 194% (2018: 194%) coverage of our Solvency Capital Requirement (SCR).

B. System of Governance

B.1 Governance structure, roles and responsibilities

The Society is governed by the Board, which has delegated authority to the CEO for day-to-day operational matters. The diagram below shows our governance structure.



[#] Product, Pricing, Underwriting and Partnerships

B.1.1 The Board

The directors as at the date of signing this report are:

Peter Dodd	Chairperson
Jon Craven	Chief Executive Officer
John Nickson	Finance Director
Bob Abberley	Chair of Nominations and Remuneration Committee
Tim Holliday	Senior Independent Director
Lucia McKeever	
Eithne McManus	Chair of Audit Committee
Oliver Peterken	Chair of Risk Committee
Angie Roberts	Appointed 4 February 2020
Tony Woodley	

The Board takes collective responsibility for setting strategy and delivering against the Society's corporate objectives to ensure long-term success in a manner that upholds the vision of the organisation. This is in addition to delivering maximum value to the Society for the benefit of its members, whilst complying with the relevant regulatory requirements, the rules of the organisation and Society Charter. The Board operates via the Rules of the Society and has a working "Charter" that defines how it is comprised and the key roles and responsibilities of the CEO, other Executive Directors, the Chairperson, the Senior Independent Director and other non-Executive Directors. It also includes the roles of the Board Committees.

The Board met nine times in 2019; all meetings were minuted and deemed to be quorate. The role of the Board is to:

- Ensure the necessary financial, operational and human resources are in place to achieve the Society's objectives;
- Provide direction and oversight to the Society's compliance with its regulatory and legal obligations;
- Provide the necessary corporate and management resources;

- Determine the policies applicable to the Society as set out in the Matters Reserved for the Board;
- Determine the nature and extent of the significant risks it is willing to take in achieving the Society's strategic objectives;
- Establish and maintain a framework of risk management and internal controls that enables the strategic financial and operational risks of the Society to be assessed and managed;
- Monitor progress by the Society towards the achievement of its objectives and compliance by the Society with approved plans and agreed policies;
- Report to the Members and relevant stakeholders on the Society's activities, presenting a clear assessment of the Society's position and prospects;
- Appoint Directors and agree the formation, Terms of Reference, and delegated authority of Committees, ensuring an appropriate balance of skills, independence and knowledge to meet the Society's requirements and relevant corporate governance standards;
- Delegate clearly defined responsibilities to the Chair, the Senior Independent Director, the CEO, Board Committees and otherwise as the Board may determine from time to time;
- Ensure effectiveness against collective performance measures, following an annual appraisal of Board performance; and
- Fulfil the specific responsibilities of the Board as set out in the Statement of Board Reserved Powers.

The Society has an Audit Committee, a Risk Committee, a Nominations and Remuneration Committee and a variety of Executive management groups, as detailed below:

B.1.2 Audit Committee

It is the Board's responsibility to develop and maintain appropriate systems of internal control.

The Board has delegated authority to the Audit Committee to establish and oversee the systems of internal control and how this is applied in order to generate the Society's financial accounts on an annual basis. The Audit Committee met five times in 2019.

The Audit Committee is formed of independent non-Executive Directors, at least one of whom has recent and relevant financial experience. The Board carries out an annual review of the systems of internal control and the work of the Audit Committee, and reports the results to members of the Society within the financial statements. The Terms of Reference for the Committee is reviewed on an annual basis.

B.1.3 Risk Committee

It is the Board's responsibility to develop and maintain appropriate risk management systems.

The Board has delegated authority to the Risk Committee to establish, monitor and assess the effectiveness and proportionality of the Society's risk management strategy. The Risk Committee met five times in 2019.

Through the Risk Committee, the Board is responsible for determining its Risk Appetite and assessing the risks the Board should take in order to achieve its strategic objectives.

The Board carries out an annual review of the Society's risk management systems, assessing the effectiveness of the work of the Risk Committee and reports the results of the review to members within the financial statements. The Terms of Reference for the Committee is reviewed on an annual basis.

B.1.4 Nominations and Remuneration Committee

It is the Board's responsibility to ensure that Executive Directors are appropriately qualified and suitably rewarded for running the Society's operations.

The Nominations and Remuneration Committee recommend appointments to the Board, and it is the Committee's responsibility to identify Directors who will promote the long-term success of the Society. The Nominations and Remuneration Committee met twice in 2019.

The Nominations and Remuneration Committee has devolved responsibility for setting the remuneration for all Executive Directors, the Chairperson and other members of the Board, in accordance with the Annotated Code of Corporate Governance. The Committee is responsible for setting a formal and transparent policy on executive remuneration, judging the compensation package relative to other Societies while being sensitive to pay and conditions for other staff within the Society. The Committee ensures that a significant proportion of remuneration is structured to link rewards to corporate and individual performance.

The Board will ensure the Nominations and Remuneration Committee is formed of at least two independent non-Executive Directors. The independent Chair of the Board will be a member of the Committee.

The policy is that the remuneration for Executive Directors should reflect performance and enable the Society to attract, motivate, and retain suitably qualified individuals.

There is a Remuneration Policy in place that covers this and is reviewed by the Nominations and Remuneration Committee on an annual basis.

Executive and non-Executive Directors' remuneration is externally benchmarked every three years, the last being in 2019. In the intervening years, their remuneration is increased at the same basic inflationary rate as those awarded to our colleagues.

On 30 March 2020, the Committee carried out a review of its activities for the year and was able to confirm to the Board that it had discharged its responsibilities to the Board in respect of the year ended 31 December 2019.

Further details on remuneration can be found in the report and accounts in the Directors' remuneration report on pages 25 to 26.

B.1.5 Executive management groups

The day-to-day operations of the Society are managed by the Chief Executive Officer (CEO) under delegated authority from the Board. The CEO is assisted in fulfilling this responsibility by the following senior management groups

- Executive Group
- Pricing, Product, Underwriting and Partnerships Group (PPUP);
- Capital Management Group
- Risk Working Group
- Investment Management Group;
- Membership Engagement Group;
- Colleague Engagement Group; and
- Reward and Recruitment Group

Each group is comprised of at least one Executive Director and other senior managers of the Society. These groups have defined terms of reference and reporting lines, meet regularly and have recorded minutes.

At the time of approving this report, the Membership Engagement Group has been replaced with a Commercial Working Group.

B.2 Fitness and Propriety

We are committed to ensuring all members of our Board, and other senior individuals within our Society behave with integrity, honesty and skill. This commitment is documented in our Fitness and Propriety Policy.

We have processes in place to ensure appropriate standards of fitness and propriety are met and maintained, both prior to appointment and on an ongoing basis thereafter.

The key elements within the fitness and propriety framework that apply to each individual are:

- A pre-appointment assessment, including assessment of the individual's knowledge, technical capability, professional experience and qualifications, and receipt of satisfactory employment and regulatory references, conducting DBS and credit checks;
- An appropriate induction programme;
- A job description, setting out the significant requirements of their role. Where the individual concerned holds a Senior Manager Function role as defined by PRA , there is a scope of responsibilities (SOR) document detailing the regulatory requirements for that regulated role;
- If the role is a prescribed function as laid down by the Senior Managers and Certification regime, then that role and the individual will be noted as holding a prescribed function;
- An annual assessment of the fitness and propriety of all Senior Manager Function role holders will be undertaken, with confirmation requested by signature confirming the individual's understanding of their core governance responsibilities, their fitness and propriety requirements, and an understanding of their ongoing compliance;
- An annual review of performance against objectives and assessment of behaviour against regulatory conduct standards; and
- A review of their fitness and propriety, whenever they are impacted by a significant business change or there is a significant change in their responsibilities.

In addition, the Board's Nominations and Remuneration Committee regularly reviews the structure, size and composition of the Board, including skills, knowledge and experience, and makes recommendations to the Board with regard to any changes. When a new appointment is required, the Nominations and Remuneration Committee evaluates the balance of knowledge, skills and experience of the Board members and uses this evaluation to inform the selection of a suitable candidate.

Records are maintained, and notifications made to the regulators when a new Senior Manager Function role is required, withdrawn, or a change to the structure required.

To consider the Board's effectiveness, an Internal Board Effectiveness review was conducted in June 2019.

Members of the Board have participated in in-house training activities covering our business transformation programme and regulatory and compliance matters. Attendance at the training is noted.

B.3 Risk Management and Own Risk and Solvency Assessment (ORSA) Process

We are committed to the appropriate standards of risk management and internal control. As a non-complex category 5 firm, writing predominately fire and property damage insurance, the Board's approach to Risk Management is appropriate and proportionate to our size and complexity.

The Board through the Risk Committee is accountable to our members for ensuring an appropriate system of internal control is maintained, and for reviewing its effectiveness. Taking account of the limitations in any system of control, the system is designed to limit rather than eliminate the risk of failure and, as such, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Committee assists the Board in establishing, monitoring and amending the effectiveness and appropriateness of the Group's risk management strategy and policies. It encourages a culture of risk awareness throughout the Society. It provides advice on aspects of risk on request from the Board. At least once a year the Committee reviews the Risk Appetite and reports to the Board any recommendations including assessing the appropriateness of the business plan in the context of the Risk Appetite. At each meeting it reviews the Risk Register to ensure all material risks are included and assessed in accordance with the Risk Appetite and to ensure that for each risk a set of risk management processes and measures are in place to adequately mitigate or reduce the impact of the risk identified. It reports to the Board any actions arising from the review of the Risk Register to be incorporated in the financial and operational plans as appropriate.

As part of this process, we have an ORSA policy reviewed and approved at least annually by the Board. The ORSA process is run annually, but can be run more frequently if the Risk Committee, with devolved responsibility from the Board, considers that our risk profile has materially changed since the last iteration.

The ORSA is an iterative process that combines a review of strategy, strategic direction, and the risks we face and the capital it needs to firstly meet the needs of existing policyholders, but also to grow. It includes the results of stress and scenario testing based on a range of stresses and scenarios proposed by management and approved by the Risk Committee and Board (section 0).

The ORSA includes an assessment of the capital the Society is required to hold under regulatory requirements with the SCR and MCR (Minimum Capital Requirement) calculated using the standard formula prescribed by the regulator. It also includes an assessment and confirmation of the ongoing appropriateness of the Standard Formula for calculating our regulatory capital requirements.

The Board reviews and approves the final ORSA report each year.

The Risk Committee reports to the Board the outcome of each meeting and ensures that all members of the Board are fully aware of the output of the work of the Committee and the sensitivities or risks associated with the recommendations of the Committee.

The issues the Committee considered during the year under review included:

- the Society's Risk Appetite;
- the Society's investment strategy;
- Risk Register reviews;
- Operational Risk event reporting and recording;
- the ORSA report and quarterly SCR updates; and
- our reinsurance strategy

During 2019 we have operated a system of internal control that provides reasonable assurance of effective and efficient operations covering all controls including financial and operational controls, and compliance with laws and regulations.

Processes are in place for identifying, evaluating and managing the risks facing us on an ongoing basis. This is achieved through our systems of risk management and internal controls. The associated processes include:

- Board discussion and approval of the Society's strategic objectives and plans, and the risks to achieving them;
- Board review of performance and approval of budgets;
- Regular reviews by management of the risks to achieving objectives and actions being taken to mitigate them;
- Review by the Risk Committee of any incidents of fraud, suspected fraud, material error or misstatement, and the controls in place to protect the Society against these risks;
- Regular reviews by the Audit Committee of the scope and results of internal audit and compliance work, and of the implementation of recommendations;

- The Audit Committee reviews the scope of work undertaken by the external auditor and any significant issues arising from them;
- The Audit Committee reviews accounting policies and levels of delegated authorities; and
- The Board considers the key risks facing the Society, as documented in the Risk Register and of the effectiveness of the controls in place to mitigate their impacts.

The internal control system is monitored and supported by the Internal Audit function that reports to the Audit Committee on the Society's operations. During 2019, the information received and considered by the Audit Committee provided assurance that there were no material control failures. This is evidenced by the annual audit opinion provided to us by our outsourced Internal Audit function, RSM.

We have put in place an organisational structure with formally defined roles and responsibilities. Operational responsibility rests with the CEO and devolves through the executive structure with clearly defined levels of authority. There are established procedures for planning, approval of capital expenditure, information and reporting systems, and for monitoring our business and performance. These include:

- A governance framework including terms of reference for the Board and its committees;
- A clear organisational structure;
- Documented apportionment of responsibilities across the Society;
- Processes for assessing the adequacy and effectiveness of internal controls and for ensuring that these remain appropriate to the scale and complexity of activities;
- A detailed financial controls framework to safeguard assets from inappropriate use or loss;
- Monthly monitoring of key performance indicators against plans for the year;
- A detailed framework of operating policies and procedures including risk management and control standards;
- Recruitment policies to select employees of the necessary calibre and experience to fulfil their responsibilities;
- Clear roles and accountabilities with regular performance reviews; and
- A whistle blowing procedure to enable staff to raise concerns in confidence, including the requirement for an independent whistleblowing champion.

We actively encourage a culture of continuous improvement to ensure systems of control are maintained.

For the year under review, there has been in place an ongoing process for identifying, evaluating and managing the risks faced by us that are significant to the achievement of our business objectives. As part of this process, managers of the operational areas and of each major project are required to identify the risks, the probability of their occurrence, the impact if they occur and the actions being taken to manage these impacts to the desired level. Managers are required to monitor and report on the key risks in their areas, highlighting whether these are stable, increasing or decreasing, as well as maintaining a risk log providing details of significant incidents and loss events. A consolidated report is submitted to every meeting of the Risk Committee, providing an analysis of risks reported in the period, together with any changes to the register that summarises the Society's most significant risks.

The Board has made an assessment of the effectiveness of its system of governance, risk management and internal control and concluded that it is appropriate for its size and complexity and no significant weaknesses have been identified.

B.4 Risk Function

The Risk function, headed by the Chief Risk Officer, is responsible for:

- Setting the overall risk management and strategic framework, and ensuing an effective risk management system is in place, including strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks, at an individual and at an aggregated level, to which it is or could be exposed, and their interdependencies.
- Ensuring the Society has in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is, or could be, exposed; and to demonstrate the methods used in that assessment.
- Monitoring and assisting in the effective operation of the Society's risk management framework and maintaining an accurate view of the Society's risk profile.
- Assessing the sensitivity of the technical provisions and eligible own funds in line with the Actuarial Function.
- Oversight and approval of all regulatory submissions for Solvency 2.
- Coordination of the production and review of the ORSA as part of its risk management system.

B.5 Compliance Function

The Compliance function is responsible for:

- Identifying, assessing, monitoring and reporting our compliance and conduct risk exposure;
- Assessing possible impact of regulatory change from both the Society's regulators, and reviewing and identifying the emerging regulatory risks,
- Monitoring the appropriateness of compliance procedures; and
- Assisting, supporting and advising the Society in fulfilling its responsibilities to manage compliance and conduct risk.

Compliance oversight is the responsibility of the CEO who holds the regulatory SMF 16 approval to undertake the compliance reporting to the governing body. There is an in-house compliance team that conducts the required compliance monitoring, and gives the business compliance assurance and guidance on the regulatory requirements to be in place to underwrite the business for which the Society is authorised.

The compliance MI and output from any monitoring activity is reported to the Audit Committee and Board on a regular basis. Compliance MI also details the regulatory issues that have occurred during the previous quarter and is submitted to the Audit Committee and Board.

B.6 Internal Audit Function

During the year under review, our internal audit function was outsourced to RSM.

Internal audit reviews are scheduled using a risk-based approach, in accordance with a three-year audit cycle. The risk-based approach concentrates on those areas that are considered higher risk, derived from the Society's Risk Register, through discussions with senior management and the Chair of Audit, and through the Internal Auditor's own independent assessment. The Internal Audit function reports directly to the Chair of the Audit Committee, although day-to-day contact is maintained and coordinated through the Compliance team.

B.7 Outsourcing

The Society has formally documented its outsourcing policy, procedure and framework, as well as a due diligence and risk assessment process prior to any final decision being made as to whether to outsource a material or critical / important regulatory business activity.

The Society has material outsourcing arrangements in place covering internal audit, claims handling, delegated authorities, fund management, loss adjustment, staff payroll services, out-of-hours / claims surge provision and information technology providers. All providers of these material outsourcing arrangements are based in the UK. However, three of the material outsource contracts (all relating to claims handling) are with legal entity parent companies outside the UK – two in the US and one in Germany.

Each material outsourced arrangement detailed above is subject to ongoing monitoring and review. Both the outsourced books of business (Home Emergency (HE) and Before the Event (BTE) legal expenses) report back qualitative and quantitative management information to the Society on a regular basis to allow the Society to continue to provide oversight of the business effectively.

B.8 Actuarial Function

The Society has an in-house actuarial team that carries out the day-to-day actuarial role, including pricing, claims reserving, reinsurance, capital management and maintenance of the Society's standard formula model.

The Society's Head of Risk, Actuarial & Underwriting acts as Actuarial Function Holder and submits an annual report to the Board on the operation of the Actuarial Function, the Solvency II technical provisions and standard formula SCR, providing feedback on the risk management systems, and opinions on the underwriting policy and reinsurance arrangements.

The Actuarial Function deals with uncertainty and risk. It has a key role in identifying, analysing and quantifying levels of uncertainty and in assessing Society strategies for managing and mitigating risk. It is recognised that the wide use of judgement and estimation in quantifying uncertain insurance liabilities introduces the potential for bias.

As a vital control function, the key requirement is that the Actuarial Function is effective in delivering robust application of appropriate techniques within the control areas, minimising bias and is conscious of limitations and sensitive to the assumptions it uses.

C. Risk Profile

C.1 Underwriting Risk

Underwriting Risk is the risk arising from uncertainty in the results relating to existing obligations as well as new business expected to be written. This includes the risk of loss, or of adverse change in the value of insurance liabilities resulting from:

a) fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements (non-life Premium and Reserve Risk); and

b) significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events (non-life Catastrophe Risk)

c) the exposure base reducing through non-renewal and reduced sales without a corresponding reduction in operating expenses of the Society (Lapse Risk).

We accept fire and property damage risks in the UK from household insurance policies. We operate under two distinct brands; a trade union and affinity brand "UIA Mutual" and a brand aimed at the general public, "Together Mutual Insurance". The Society also underwrites Home Emergency (HE), Before The Event (BTE) and After The Event (ATE) legal expenses cover.

The principal risk faced by the Society is that the actual claims and benefit payments exceed the carrying amount of the risk premium. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary year to year from the level we establish using generally accepted estimation techniques.

Household Underwriting Risk is derived from two sources:

- Reserve Risk – which is a failure to adequately estimate reserves leading to either understatement or overstatement of reserves – the former increases the risk of having insufficient funds available to pay claims and the latter increases the risk of non-optimal capital management; and
- Premium Risk – which is a failure to capture an adequate premium for the risks underwritten.

To manage the Reserve Risk, our actuarial team uses a range of recognised actuarial techniques to monitor claims development patterns across various loss types, and determine claims provisions.

To address Premium Risk we continue to evolve our new premium rating engine for our Tiered product, which better assesses the risks by peril (e.g. flood, fire, storm etc.). A number of measures are in place to ensure this risk is managed prudently and conservatively; these include monthly monitoring performance statistics including loss ratios by product and channel.

Management of Lapse Risk is mitigated through continued monitoring of our expense base and modelling within the business planning process, with future budgets being responsive to changes (expected and experienced) in exposure.

We are exposed to concentration risk geographically, through exposure to a single weather event or a possible man-made event (e.g. spread of fire from one property to another or an explosion). The Society reviews the highest concentration risks by total sum insured within a 200 metre radius. The postcode is used as a proxy for this. We are also exposed to reinsurer concentration risk, which is mitigated by use of a wide number of reinsurers.

Our exposure under the public brand (Together) has expanded significantly in the past two years. However, due to poor underwriting performance on the aggregators, we have reduced our exposure to this market segment. We are renewing focus on our union partnerships.

Our Product, Pricing, Underwriting and Partnerships Group reviews and approves pricing recommendations and reviews any new opportunities. We maintain Underwriting and Pricing Policy documents that also explain our philosophy and principles. An Underwriting Manual is separately maintained and updated.

To further mitigate our Underwriting Risk, we purchase a number of reinsurance policies. For our household book we purchase on an excess of loss basis, Catastrophe, Liability and per Risk reinsurance. For our HE, BTE Legal and ATE Legal we have 100% Quota share arrangements with specialist reinsurance companies.

For 2020, our catastrophe reinsurance programme has been slightly modified to include a higher deductible of £2m (2019: £1.5m), and a reduced upper limit of £35m (2019: £40m), albeit still targeting a return period in excess of our Risk Appetite of a modelled 1 in 250 year level. Our risk excess of loss cover upper limit remains at £1m with a deductible of £250k. We have also purchased Reinstatement Premium Protection in 2020, to cover any reinstatements due for the first three layers of our catastrophe reinsurance programme.

C.2 Market Risk

Market Risk is the risk arising from the level or volatility in the value of assets and liabilities. It also reflects any duration mismatch between assets and liabilities. It includes the impact of potential changes in:

a) interest rates (Interest Rate Risk);
b) the market prices of equities and property (Equity and Property Risk);
c) credit spreads over the risk-free interest rate term structure (Spread Risk);
d) currency exchange rates (Currency Risk);

and risks stemming either from lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities (Concentration Risk).

We seek to limit exposure to Market Risk from investment activities in line with our Board approved Risk Appetite. To achieve this we have established guidelines, procedures and monitoring to help manage our exposure to Market Risk. Market Risk relating to the Society's defined benefit pension scheme investments remains largely outside our control.

Market Risk is regularly considered and monitored via the Capital Management Group and the Investment Management Group. The latter group includes active participation of our investment manager (RLAM).

The Investment Management Group, Risk Committee and Board regularly review the Society's asset allocation and investment performance. The portfolio is re-balanced from time to time as needed to help manage the Society's exposure to Market Risk as set out in our Risk Appetite. In late 2019, the Board took the prudent decision to divest assets from RLAM's Sterling Credit Fund and transfer it to their Cash Plus Fund, to reduce volatility and exposure to Spread Risk. This has increased the short dated assets held by the Society, but does mean that expected investment returns going forward will be at a lower level previously.

C.3 Credit (Counterparty) Risk

Credit Risk is the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and debtors.

Our exposure to Credit Risk arises from our direct insurance trading activities, exposure to the reinsurance we purchase and our investment activities.

We seek to limit exposure to Credit Risk from investment and reinsurance activities in line with our Board approved Risk Appetite. To achieve this we have established guidelines, procedures and monitoring to help manage our exposure. This includes monitoring external credit ratings for the investment and reinsurance assets held.

Reinsurance assets are reinsurers' share of outstanding claims, including allowance for incurred but not reported (IBNR) elements and reinsurance receivables. All reinsurers on the household programme are required to have a credit rating of A- or better.

The carrying amount of financial and reinsurance assets represents the Society's maximum exposure to Credit Risk. There are no loans and receivables or insurance debtors due past 90 days and therefore none are considered impaired. No collateral is held in respect of any financial assets or liabilities.

A summary of the Credit Risk applying to financial and reinsurance assets is contained on pages 55 and 56 of the Society's Annual Report and Accounts.

C.4 Liquidity Risk

Liquidity Risk is the risk that sufficient financial resources are not available to enable the Society to meet obligations as they fall due. Our approach is to maintain sufficient liquidity to be highly confident of meeting our short term operational expenses including claims, commission and overhead expenses.

We limit our exposure to Liquidity Risk through the use of cash held at our bank (Unity Trust Bank plc) and readily realisable investments with RLAM. This helps ensure all reasonably foreseeable cash flows can be met out of readily available sources of funding.

The table below shows a breakdown of all assets held by UIA (Insurance) Ltd (not UIA Group), excluding underlying pension assets at the Valuation Date:

Asset type	**Amount (£'000's)**
Cash	1,693
Collateralised securities	4,745
Corporate bonds	41,098
Equity holdings in subsidiaries	264
Forward contracts	0
Government bonds	160
Investment funds	0
Total	**47,961**

The majority of the Society's investments are either corporate bonds or cash, which can be easily liquidated to meet cash flow needs.

C.5 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and IT systems. It also covers external events such as material outsourcing, catastrophes, legislation, or external fraud.

The Society maintains a detailed Risk Register that is updated by the business units who own the understanding, identification, management and mitigation of the risks detailed on the Register. The Risk Register is updated quarterly, and coordinated by the Compliance team, to ensure all risks have been considered by the business.

The Society also maintains a schedule summarising the most significant risks to the Society, which is reviewed and updated quarterly by the Risk Working Group, and submitted to the Risk Committee for their consideration.

There is a process in place to consider any emerging risks the Society may face going forward.

There is also an Operational Risk event notification process to ensure all such events are notified to the Compliance team who manage the breach with the relevant business unit to ensure appropriate mitigation is then in place going forward. There is a process in place to capture any events that may be notifiable to either of the Society's regulators. This is coordinated by the Compliance team.

Risk event reporting is made to the Risk Committee in the Compliance MI on a quarterly basis.

C.6 Pension Risk

The Society is a sponsoring employer and part of a multi-employer defined benefit pension scheme. The pension scheme is currently in deficit.

Our share of the deficit is included in the Annual Report and Financial Statements as a liability of £10.3m (2018: £8.5m). The Society's share of the net liability is circa 5%; the scheme has a last man standing clause in place, which adds to the Society's risks. A strategic review of the pension provision across UNISON is in progress; the Society is represented in this strategic review.

C.7 Potential Brexit Impact

The Board has approved this report on 31 March 2020. For the reasons explained below, the Board is satisfied that it is able perform its obligations in respect of, and to approve this report, despite the obvious uncertainties that currently exist.

We are not expecting to have to alter our business model due to matters arising from any direct or indirect impact of the UK leaving the European Union (EU) with either a future trade deal with the EU or not. We underwrite entirely within the UK. We will, however, face the indirect consequences of such a move, such as a possible increase in general inflation and further uncertainty within investment markets.

We are not expecting to have any significant impact in 2020 due to the transition period. However, we will continuously monitor and review the impact of Brexit on the Society.

Some of our reinsurers are non-UK based within the EU. We have investigated post-Brexit arrangements and are satisfied that such arrangements will continue to be in place.

A severe reduction in values of financial markets scenario test was included in our ORSA and the Society continued to meet its regulatory capital requirements over the business planning horizon. The Board and senior management continue to review the situation and will take whatever action is necessary to protect the interests of the members of the Society.

C.8 Financial Risks of Climate Change

Although climate change is usually considered in the context of volatile and extreme weather (i.e. Physical risks), its impact is likely to be much wider. Other risks include:

- Transition risks, which occur as we transition to a more environmentally friendly economy, potentially resulting in significant shifts in asset values and higher costs of doing business; and

- Liability risks, compensation is sought for losses suffered as a result of physical or transition risks

Looking at Physical risks, the short-tailed nature of household insurance combined with the annually renewable nature of cover allows the Society to respond swiftly to underlying climate change risks observed in experience. This will primarily be through re-pricing and other underwriting actions, but can also include reinsurance options. The Society purchases substantial reinsurance to protect against the potential impact of large weather and other catastrophic natural events.

In addition, the Society may have opportunities to mitigate risk by helping policyholders take action against risks of climate change (such as education and awareness of anti-flood measures that policyholders can action on their insurable interests).

With regard to Transition risks, our investment managers, RLAM, incorporate environmental, social and corporate governance dimensions when considering asset purchases.

Due to the nature of our lines of business, we do not anticipate any significant exposure to Liability risks from climate change.

C.9 Covid-19

At the date of signing of this document, businesses across the UK including the Society, are dealing with the challenges posed by the Covid-19 virus.

The Society continues to operate to support its members and other stakeholders including colleagues. From an operational perspective, the Society's business continuity plans have been enacted to enable more remote working in accordance with government guidance. This has resulted in the majority of colleagues working remotely using laptops and home-based Society desktops. The few roles that cannot be carried out remotely such as post opening and distribution, customer mailings, essential IT support and essential Finance activities are continuing to operate from Head Office. These roles are focused on providing essential services for our members and colleagues are applying the safe-distancing guidelines wherever possible.

Currently, the Senior Management Team meet on a daily basis to monitor how the contingency plan is working and also to amend this plan based on updates from the UK Government. This forum also allows the team to deal with and resolve issues as they arise, to ensure continuity of service for our members.

From a market risk perspective, the Society has seen a downward impact on asset valuations. However, these have been relatively modest to date compared with equity and other market falls that have occurred. This is due to the Society's investments being mainly in short dated bond and cash funds.

The Society is also impacted by being part of the UNISON Staff Pension Scheme. To date the net impact of market changes on the Society's liabilities in relation to the Scheme has been relatively modest, as asset falls have been broadly offset by liability gains. The Scheme also has in place equity downside protections; these have limited the loss from falling equity markets. Note that even if these equity protections had not been in place, the Society would still have been well above risk appetite in terms of solvency cover.

The strength of the Society's year end unaudited Solvency Capital Requirement cover of 194% has meant that, even with the losses seen in March 2020, the Society's solvency cover remains comfortably above its risk appetite. This is largely due to the nature of its lines of business (household, home emergency and legal expenses) and the de-risked investment strategy.

The directors are confident that Covid-19 will not significantly impact the Society's ability to meet all current regulatory reporting requirements. The year-end reporting requirements are ready to be filed and the relevant teams are set up to meet the quarter 1 requirements remotely.

C.10 Stress Tests, Scenarios and Reverse Stress Tests

Stress tests measure the shock of certain individual events such as a stock market correction of 10% or a series of smaller "catastrophe" events. Scenarios measure a combination of stresses that are not necessarily linked. Reverse stress tests involve identifying scenarios that could potentially lead the business to not being viable from a commercial and regulatory point of view.

As part of the ORSA process we test our capital requirement under a range of plausible scenarios, including more extreme events where the business is no longer solvent. These help us understand the robustness of the Society's capital position over the business planning horizon.

Below are the stress and scenario tests modelled in our 2019 ORSA. Looking at the nature and type of event that might result in the Society's failure over the coming year, given our strong solvency position and reinsurance purchasing, such an event or combination thereof would need to be extreme.

ORSA Stress and Scenario Tests (including Reverse Stress Tests)		
Scenario #	**As at date**	**Description**
1	2019-2024	Equities drop by 30% combined with pension liability shock of £5m
2	2019-2024	Economic shock (Brexit and/or financial impact of climate change): All credit ratings drop one EIOPA quality step (equivalent to 3 rating notches) whilst corporate bonds below BB+ default and Equities fall 20% + Sustained COR at 120% due to increased claims frequency (e.g. subsidence) reducing to 110% from 2022 onwards
3	2019-2024	£15m windstorm + £5m flood + £1m attritional claims shock + largest reinsurer defaults (potentially relating to climate change)
4	2019-2024	Sharp decline in retention rates on GH/BH over business plan horizon + Sustained COR at 120%, due to a combination of small events and poor underwriting (potentially relating to climate change, including subsidence, and high claims cost inflation – 8% p.a. – with a pricing lag)
5	2019-2024	Renewal book purchase providing an additional 10k policies on a basis similar to our existing affinities, with on-boarding costs of £0.5m
6	2019-2024	Adverse impact of FCA thematic pricing review, resulting in a sharp reduction (75%) in new business due to much more limited ability to offer new business discounts
7	2019Q4	Reverse Stress Test 1: Combination of 1, 2 and 3 above at appropriate severities to result in failure
8	2019Q4	Reverse Stress Test 2: £50m Cat Event (climate change related)
9	2019Q4	Reverse Stress Test 3: Sustained significant further reduction in Risk Free Yield Curve (0.5% base rate to 1% at long-term), with equity markets and yield spreads assumed unchanged

D. Valuations for Solvency Purposes

D.1 Assets

We set out below the basis for our Solvency II asset valuation for each main class of asset compared with the GAAP valuation at the Valuation Date. The GAAP valuation is based on the UK GAAP accounting policies, as described in the Society's Annual Report and Accounts on pages 46 to 52 (£'000s):

	UK GAAP valuation		**Adjustment**	**Solvency II valuation**
	2019	Note	**2019**	**2019**
Assets				
Intangible assets	2,840	1	(2,840)	0
Investments	46,372	2	(104)	46,268
Reinsurance recoverable from: non-life excluding health	1,875	3	(99)	1,776
Unearned premiums	668	4	(668)	0
Insurance and intermediaries receivable	8,952	5	(8,952)	0
Receivables trade, not insurance	439	6	0	439
Property, plant & equipment held for own use	57	7	0	57
Cash and cash equivalents	1,589	8	104	1,693
Any other assets not elsewhere shown	1,175	9	(1,175)	0
Total assets	**63,967**		**(13,734)**	**50,233**

Note 1 Intangible assets
Intangible assets (other than purchased goodwill) are not recognized in the Solvency II balance sheet because they relate to software development which does not have a readily ascertainable market value and they cannot be sold.

Note 2 Investments
The valuation for Solvency II investment assets follows that of the valuation for UK GAAP, which for investments is at fair value. Further details can be found in the Society's Annual Report and Accounts on pages 49 to 51. The adjustment relates to cash holdings in the underlying investment portfolios, which is used for the Solvency II balance sheet calculations (see Note 8).

Note 3 Reinsurance recoverable from: Non–life excluding health
The value under GAAP represents amounts recoverable from reinsurers on: (1) outstanding claims, including associated IBNR and reinstatement premiums; (2) exposures in force and bound at the Valuation Date; and (3) Home Emergency and legal insurance which is 100% reinsured out. The items in 3) are treated as technical provisions in the Solvency II balance sheet as UIA is the primary insurer. The value in the Solvency II Balance Sheet represents the best estimate of reinsurance recoverable relating to both claims incurred and expected claims relating to unexpired risks at the Balance Sheet date. The valuation under Solvency II is best estimate, reflecting a probability weighted average of all possible outcomes. The GAAP valuation includes allowance for recoveries relating to the additional level of prudence incorporated into the GAAP claims reserves (see top row of table on page 23).

Note 4 Unearned premiums
No unearned premiums are shown in the Solvency II balance sheet as these are captured as future premiums relating to unearned business, which are captured within the premium provisions for Solvency II.

Note 5 Insurance and intermediaries' receivable
No debtors arising out of direct insurance operations are shown in the Solvency II balance sheet as these are due from policies already sold and are accounted for separately as part of technical provisions (see Liabilities below).

Note 6 Receivables (trade, not insurance)
Receivables (trade, not insurance) are valued on the same basis for GAAP and Solvency II.

Note 7 Property, plant and equipment held for own use
These are valued on the same basis for GAAP and Solvency II, which are stated at cost, net of depreciation and any provision for impairment. Given the principle of materiality, this is deemed to be a close approximation to the fair value. Further details can be found in the Society's Annual Report and Accounts on page 48.

Note 8 Cash and cash equivalents
These are valued on the same basis for GAAP and Solvency II. However, cash balances held by the asset manager, which are included in 'Cash and Cash Equivalents' in the Solvency II balance sheet, are classified as 'Investments' under UK GAAP. The UK GAAP interpretation of cash and cash equivalents recognises that some of our investments can be classified as investments, whilst under Solvency II such funds are classified as 'Cash and Cash Equivalents', as shown in Appendix B.

Note 9 Any other assets not held elsewhere
Deferred acquisition costs and prepayments are not considered an asset under Solvency II. Accrued interest and accrued income are held on the same basis between the Solvency II and the GAAP balance sheet.

D.2 Liabilities

We set out below the basis for our Solvency II liability valuation for each material class of liability compared with the GAAP valuation at the Valuation Date (£'000s):

	UK GAAP valuation 2019	Note	Adjustment 2019	Solvency II valuation 2019
Members equity	27,499	1	(477)	27,022
Liabilities				
Technical provisions – non-life (excluding health)	21,204	2	(12,120)	9,084
Insurance & intermediaries payables	2,255	3	(2,255)	-
Reinsurance payables	1,302	3	80	1,382
Any other liabilities not elsewhere shown	1,404	4	1,038	2,442
Pension benefit obligations	10,303	5	0	10,303
Total equity and liabilities	**63,967**		**(13,734)**	**50,233**

Note 1 Members equity
This represents members' funds and is thus classified as Tier 1 capital. The adjustment represents differing recognition of assets and liabilities between UK GAAP and Solvency II valuations as detailed in these notes.

Note 2 Technical provisions – Non-life (excluding health)
See the table on page 23 for a detailed comparison.

Note 3 Insurance & Intermediaries payables and Reinsurance Payables

Insurance and intermediaries payables on the UK GAAP basis represent payments due to other parties. Under Solvency II, these are included within the technical provisions (see table in paragraph D.2.1).

Reinsurance payables on the UK GAAP basis represent reinsurance premiums currently due to our reinsurers. On a Solvency II basis, these are considered within the premium provision component of our technical provisions, but are reported as a separate item on the balance sheet. The amount represents future reinsurance payments in respect of policies in force (including bound business), subject to our minimum and deposit premium requirements.

Note 4 Any other liabilities, not elsewhere shown

The additional amount relates to overdue Commission payments due in respect of business that has already expired. On the UK GAAP Balance sheet, these amounts are held against Technical Provisions – non-life (excluding health).

Note 5 Pension benefit obligations

The Society's pension risk is incorporated in the Standard Formula model by inclusion of pension assets, liabilities and cash flows.

The Society's share of the pension deficit has increased to £10.3m at the Valuation Date, as the increase in liabilities from the lower discount rate and revised longevity assumptions more than offset the increase in asset values. Further details on the 2017 triennial valuation can be found in the Society's Annual Report and Accounts on pages 74 to 77.

The balance sheet position of our share of the scheme at the Valuation Date is as follows (£'000's):

	2019	**2018**
Present value of Scheme liabilities	(42,510)	(37,073)
Fair value of Scheme assets	32,207	28,529
Surplus / (deficit)	**(10,303)**	(8,544)

The following table reports the percentage by asset class for the defined benefit pension scheme assets:

	2019	**2018**
Equity instruments	44	39
Debt instruments	25	30
Property	9	4
Multi-asset funds	21	21
Cash	1	6
	100%	100%

D.2.1 Technical provisions

Technical provisions represent the expected cost of insurance liabilities at the balance sheet date. Solvency II requires undertakings to set up technical provisions in relation to their insurance liabilities equal to the amount they would have to pay if they were transfer their insurance obligations immediately to another undertaking.

Technical provisions for Solvency II therefore consist of a discounted best estimate of our insurance liabilities plus a prescribed Risk Margin. These amounts are calculated separately, in line with the Solvency II regulations and guidance. The best estimate is a combination of a premium provision and a claims provision.

- The claims provision relates to claims incurred at the balance sheet date
- The premium provision relates to all future cash flows (claims payments, expenses and future premiums), in respect of future exposure on contracts incepted (or bound) prior to the balance sheet date.

The Risk Margin is calculated using a standard proportional approximation set out in the Solvency II guidelines. Under this approach, a duration assumption is used to approximate the cost of capital of maintaining future SCRs, based on the principle that future SCRs over the run off of the portfolio will be proportional to the starting SCR.

Technical provisions under UK GAAP are calculated on an undiscounted and 'prudent' basis.

We set out in the following table a summary of the Solvency II and GAAP valuations of technical provisions:

Provision		GAAP Item	GAAP Value	SII Item	SII Value	Difference	% Difference
GAAP: Household Claims Oustanding Provision SII: Household Claims Provision	Household	Claims Outstanding	5,505	Discounted Claims Outstanding	5,459	46	1%
	Household	Best Estimate IBNR including: - 5% CHE	2,666	Discounted IBNR including: - 5% CHE	2,678	(12)	0%
	Household	Prudence & Management Margin	1,375			1,375	
	Household	**Total Household Claims Provision**	**9,546**	**Total Household Claims Provision**	**8,137**	**1,409**	**15%**
GAAP: Household Unearned Premium Provision; SII: Household Premium Provision	Household	Household Unearned Premium	9,759	-	0	9,759	
	Household	HE & Legal Unearned Premium	668	-	0	668	
	Household	-	0	Projected Future claims payable including: - 10% CHE	4,685	(4,685)	
	Household	-	0	Projected operating expenses	2,768	(2,768)	
	Household	-	0	Projected Premium Receivable (uncollected)	(7,533)	7,533	
	Household	**Total Household Premium Provision**	**10,426**	**Total Household Premium Provision**	**(80)**	**10,506**	**101%**
ATE/BTE/HE Claims and Premium Provision	ATE/BTE/HE	**Reserves/Expected future payables**	**1,232**	**Reserves/Expected future payables**	**60**	**1,172**	**95%**
				Risk Margin	**967**	**(967)**	
Total Provision			**21,205**		**9,084**	**12,120**	**57%**

The link between our GAAP reserves and our Solvency II provisions is straightforward, well understood by those undertaking the work and enables reliance to be placed on underlying accounting controls as well as those specific to the technical provision exercise.

Below is a qualitative comparison table of the GAAP reserves vs Solvency II technical provisions:

Provision	Description – GAAP Basis	Description – Solvency II Basis
GAAP: Household Claims Outstanding Provision Solvency II: Household Claims Provision	This includes: • Outstanding household case reserves (extracted from Management Information system) • IBNR (calculated by the Actuarial Function) including additional 5% claims handling expenses and additional prudency loading (90% confidence interval) • Risk XL IBNR and reinstatement premium IBNR (see note 3 on p.19)	This includes: • Discounted outstanding reserves (extracted from Management Information system) • Discounted best estimate IBNR (calculated by the Actuarial Function) including additional 5% claims handling expenses
GAAP: Household Provision for Unearned Premium Solvency II: Household Premium Provision (Note that these two measures cannot be compared easily, as they are made up of different items)	This includes: • Household unearned premium calculated using 1/24th earned pattern, a method that assumes policy exposure is earned uniformly over the year.	This includes: • Projected future claims payable (based on current policies, assume retention of 67%) including 10% claims handling expenses • Projected future operating expenses and commission (based on core expenses required to process claims) • Expected future premium (based on premium still to be collected, not earned)
ATE/BTE/HE Claims and Premium Provision	• Legal Expenses (ATE) reserves (calculated by finance department), • Home Emergency and Legal Expenses (Add-on products) unearned premium calculated using 1/24th earned pattern)	• Home Emergency and Legal Expenses reserves based on information supplied by Finance and calculated by Actuarial, • Home Emergency and Legal Expenses expected future receivables (as listed in the management accounts)

The actuarial and statistical methods used to calculate our technical provisions are proportionate to the nature, scale and complexity of the risks we underwrite. We separately consider our gross insurance liabilities and the effects of reinsurance on those liabilities. Our approach also includes the following:

- ***Interest rates*** – All interest rates used for discounting are taken from EIOPA's release of risk-free curves.

- ***Business expenses*** – Expense data has been taken from the most recent version of the Society's budget, as agreed and signed off by the Board. The budget includes the Society's most up to date projection of future business expectation, including future claims experience. This is then adjusted to put the business into a state of 'run-off' from the Date of Valuation and any alterations are made to best reflect the costs the Society would incur based on the criteria set out in the Solvency II technical provisions for general insurer's guidance paper, published by the regulator. The budget is prepared by management and any assumptions are discussed and validated by the Board.

- ***Claims run-off*** – *T*o allocate our projected claims in run-off, we have created a model that uses the number of open claims at the Valuation Date, with the claims provision claim run-off pattern and claim frequency, such that:
    - The projected run-off for the live book is projected using a retention rate of 67%. This equates to all live policies at the Valuation Date having lapsed after one year;

- Future claims from the run-off of the live policies are then extrapolated using the current claims frequency. These are run-off using the claims provision claims run-off pattern; and
- Claims handling expenses are assumed to be 5.5% of claims incurred in the claim provision and 10% in the premium provision.

- ***Claims provision*** - The claims provision is equivalent to the expected present value of all future claim payments (and claims administration expenses) arising from claim events that have occurred before or at the Valuation Date. This can be thought of as all reserved claims plus any IBNR and IBNER additional reserves, plus any expenses associated with the management of these claims as they run-off over time.

  The calculation of the claims provision is the same as our quarterly IBNR calculation. The only change applied is discounting using the EIOPA released risk free yield curves.

- ***Premium provision*** - The best estimate of premium provisions is the expected present value of the following cash in-flows and cash out-flows:
  - Cash flows from future premiums relating to any period of exposure, in-force or otherwise (including adjustment premiums from expired policies, cash flows due from premium debtors, reinstatement premiums or premiums expected from in-force policies);
  - Cash flows from future reinsurance premiums due (however these are not included in the above tables, but are instead reported in reinsurance payables as per note 3 on page 20);
  - Cash flows arising from future claims events;
  - Cash flows arising from allocated and unallocated claims administration expenses in respect of claims events occurring after the Valuation Date;
  - Cash flows arising from ongoing administration of in-force policies; and
  - Cash flows arising from subrogation and salvage.

Key areas of uncertainty include: a) claims development patterns relating to our aggregator business, which differ from our traditional channel, b) subsidence claims, where the full extent of damage and necessary repairs takes longer to establish, and varies significantly from claim to claim, c) projected future claims, in particular relating our to aggregator business for which we have more limited claims history on which to base our estimates, d) projected operating expenses, as the business has seen significant changes and investment over the past year it is more difficult to estimate the level of future expenses.

Control over our sources of data and the processing of that data are considered effective.

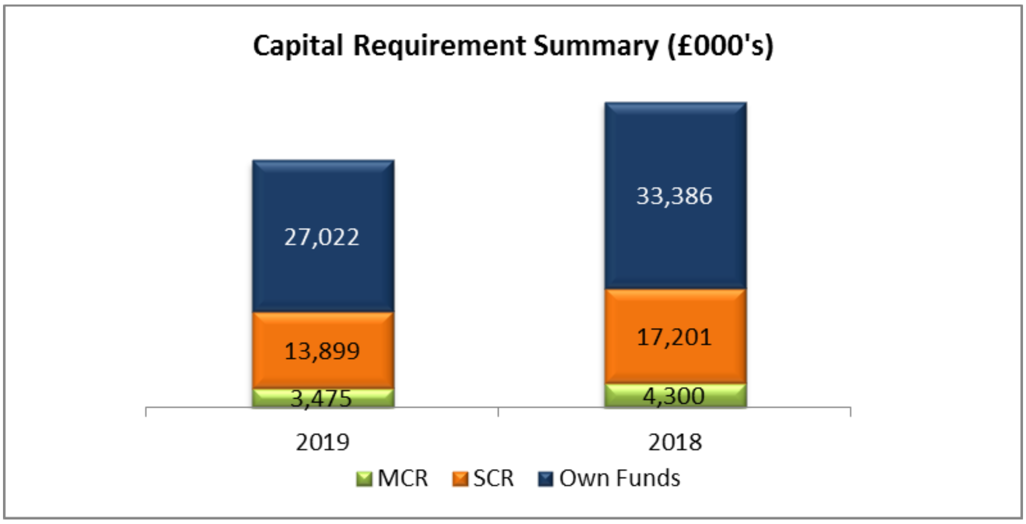
E. Capital Management

E.1 Own Funds at 31 December 2019

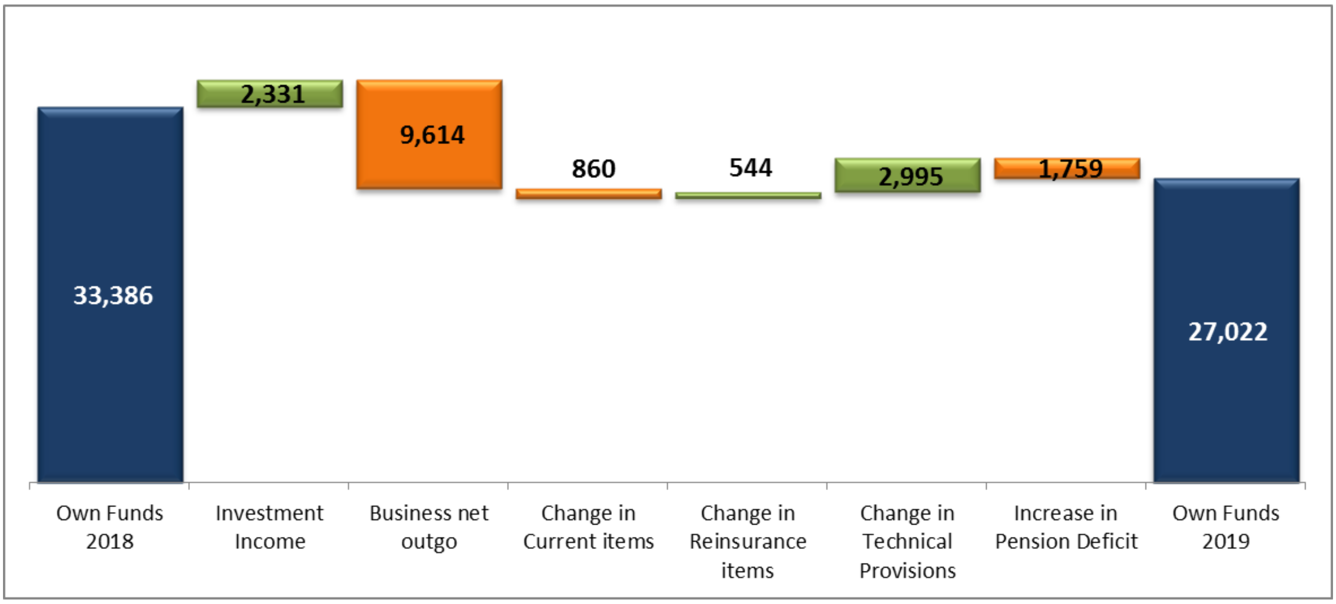
As a mutual entity, our own funds are made up of 100% of members' funds arising from retained profits, which have arisen from past underwriting and investment surpluses. As such all capital is categorised as Tier 1 and there are no restrictions on the availability of our own funds to support the MCR or SCR.

Our business planning horizon is five years, so projections have been produced up to and including 2024. Our Risk Appetite is to maintain at least a 150% Solvency Ratio. This is monitored continuously and reported on at least a quarterly basis to both the Capital Management Group and the Risk Committee.

Own funds have fallen by approximately £6.4m since 2018. This is due to an increase in cash outflows from the Society in respect of underwriting activities and net operating expenses in addition to an increase in the pension deficit liability. This has been offset by a reduction in technical provisions and investment income from our invested assets. The chart below shows our own funds in relation to the SCR and MCR:



The table below details the changes in our Own Funds over the year:



Set out below is a summary of own funds, which also includes the appendix reference where a more detailed breakdown can be found.

	Own Funds		QRT
	Per Solvency II	Per GAAP	
Description	£000's	£000's	Reference
Own Funds	27,022		S23.01.b
Minimum Capital Requirement	3,475		S23.01.b
Solvency Capital Requirement	13,899		S23.01.b
Solvency Ratio	194%		

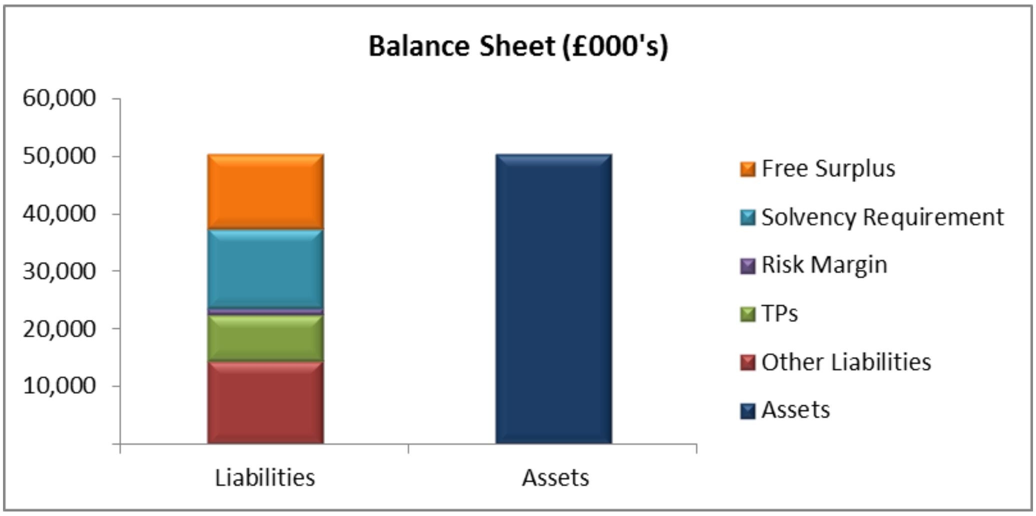
In late 2019, the Board took the prudent decision to divest assets from RLAM's Sterling Credit Fund and transfer it to their Cash Plus Fund, to reduce volatility and exposure to Spread Risk. This has increased the short dated assets held by the Society, but does mean that expected investment returns going forward will be at a lower level previously. Our investment portfolio aim is to deliver consistent returns for our members in the expectation of ongoing political and economic uncertainty during our plan period.

This remains the right investment stance for us into 2020 and beyond as we invest over a medium-term time horizon. However, in doing so we face losses arising from market interest rate changes, albeit less so given the short average duration of assets now held. Over the medium term, interest rate rises are welcome as yields also rise. We seek to limit, as far as is practical, exposure to Credit Risk from investment and reinsurance activities. To achieve this objective we have established guidelines, procedures and monitoring requirements to manage Credit Risk.

The following table reconciles the GAAP and Solvency II own funds at the Valuation Date:

Description	**£000's**	**£'000's**
UK GAAP Members' equity		**27,499**
Reallocation of insurance debtors to technical provisions	(8,952)	
Reallocation of reinsurance recoverable under solvency II basis	(99)	
Valuation of intangible assets under solvency II basis	(2,840)	
Change in valuation basis for other assets	(1,843)	
Total reduction to assets		**(13,734)**
Reallocation of insurance payables to technical provisions	2,255	
Reallocation of reinsurance payables to technical provisions	(80)	
Recalculation of best estimate under solvency II	10,115	
Risk Margin	967	
Total increase in technical provisions		**13,257**
Solvency II own funds		**27,022**

The following chart shows our assets and liabilities in relation to the SCR:



There are no plans for us to repay any own-fund item, and as we are a mutual, there are no plans to raise additional own funds.

E.2 Solvency Capital Requirement (SCR) at 31 December 2019

Our SCR is calculated on the standard formula basis, having reviewed the assumptions underlying the formula and assessed them as appropriate for us. We have used certain permissible simplifications applied to the standard formula, and we do not use any undertaking specific parameters.

The table below compares our Solvency position at 31 December 2019 with that at 2018 (£'000s):

Solvency category	2019	2018	Change
Market risk	7,299	9,941	(2,642)
Counterparty risk	1,482	2,144	(662)
Non-life underwriting risk	8,619	9,783	(1,164)
Diversification credit	-4,006	-5,153	1,147
Basic solvency capital requirement	13,394	16,715	(3,321)
Operational risk	671	755	(84)
LACDT	-166	-269	103
SCR	**13,899**	**17,201**	**(3,302)**
Own funds	27,022	33,386	(6,364)
Surplus	13,123	16,185	(3,062)
Solvency Ratio	**194%**	**194%**	**0%**

The Solvency Ratio is similar to last year, albeit with the SCR decreasing by £3.3m over the period along with a reduction in available own funds of £6.5m.

Market Risk has decreased due to rebalancing the investment portfolio towards a less volatile and more secure portfolio. Government Bonds and cash type investment instruments typically attract lower capital charges than Corporate Bonds.

Non-Life Underwriting Risk has also fallen over the period, reflecting the 2020 reinsurance structure and a reduction in Sums Insureds due to declining number of policies. This is partly offset by an increase in Lapse Risk due to improved underwriting.

E.3 Minimum Capital Requirement (MCR)

The MCR is set at 25% of the SCR with no management adjustment considered necessary. The MCR has decreased to £3.5m (2018: £4.3m).

E.4 Non Compliance with SCR and MCR

We have met our MCR and SCR throughout the year.

Appendix I: Statement of Directors' Responsibilities

The Directors are responsible for preparing the SFCR in accordance with the PRA's rules and Solvency II Regulations.

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

Each of the Directors, whose names and functions are listed in the Board of Directors section of the report & accounts, confirm that, to the best of their knowledge:

- Throughout the financial year in question, the Society has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable; and

- It is reasonable to believe that, at the date of the publication of the SFCR, the Society continues to comply, and will continue to comply in future.

By Order of the Board

Jon Craven
Chief Executive Officer
11 May 2020

Appendix II: Annual Quantitative Reporting Templates as at 31 Dec 2019

S.01.02.01 Basic Information – General

Undertaking name	**R0010**	UIA (Insurance) Ltd
Undertaking identification code	**R0020**	2138004QDHX7Q2X1GO36
Type of code of undertaking	**R0030**	LEI
Type of undertaking	**R0040**	3 - Non-Life undertakings
Country of authorisation	**R0050**	GB
Language of reporting	**R0070**	English
Reporting submission date	**R0080**	
Financial year end	**R0081**	2019-12-31
Reporting reference date	**R0090**	2019-12-31
Regular/Ad-hoc submission	**R0100**	1 - Regular reporting
Currency used for reporting	**R0110**	GBP
Accounting standards	**R0120**	2
Method of Calculation of the SCR	**R0130**	1 - Standard formula
Use of undertaking specific parameters	**R0140**	2 - Don't use undertaking specific parameters
Ring-fenced funds	**R0150**	2 - Not reporting activity by RFF
Matching adjustment	**R0170**	2 - No use of matching adjustment
Volatility adjustment	**R0180**	2 - No use of volatility adjustment
Transitional measure on the risk-free interest rate	**R0190**	2 - No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	**R0200**	2 - No use of transitional measure on technical provisions
Initial submission or re-submission	**R0210**	1 - Initial submission
Exemption of reporting ECAI information	**R0250**	0 - Not exempted

S.02.01.02 Balance Sheet

£'000's

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	57
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	46,268
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	264
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	46,004
Government Bonds	**R0140**	160
Corporate Bonds	**R0150**	41,098
Structured notes	**R0160**	
Collateralised securities	**R0170**	4,745
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	1,776
Non-life and health similar to non-life	**R0280**	1,776
Non-life excluding health	**R0290**	1,776
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	439
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	1,693
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	50,233

S.02.01.02 Balance Sheet (continued)

£'000's

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	9,084
Technical provisions – non-life (excluding health)	**R0520**	9,084
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	8,117
Risk margin	**R0550**	967
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	10,303
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	1,382
Payables (trade, not insurance)	**R0840**	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	2,442
Total liabilities	**R0900**	23,211
Excess of assets over liabilities	**R1000**	27,022

S.05.01.02 Premiums, claims and expenses by line of business

£'000's

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**		Total
		Fire and other damage to property insurance	Legal expenses insurance	
		C0070	**C0100**	**C0200**
Premiums written				
Gross - Direct Business	**R0110**	19,152	1,159	20,311
Gross - Proportional reinsurance accepted	**R0120**			
Gross - Non-proportional reinsurance accepted	**R0130**			
Reinsurers' share	**R0140**	2,326	1,159	3,485
Net	**R0200**	16,826	0	16,826
Premiums earned				
Gross - Direct Business	**R0210**	21,212	1,160	22,372
Gross - Proportional reinsurance accepted	**R0220**			
Gross - Non-proportional reinsurance accepted	**R0230**			
Reinsurers' share	**R0240**	2,382	1,160	3,542
Net	**R0300**	18,830	0	18,830
Claims incurred				
Gross - Direct Business	**R0310**	12,379	855	13,234
Gross - Proportional reinsurance accepted	**R0320**			
Gross - Non-proportional reinsurance accepted	**R0330**			
Reinsurers' share	**R0340**	575	855	1,430
Net	**R0400**	11,804		11,804
Changes in other technical provisions				-
Gross - Direct Business	**R0410**	-745		-745
Gross - Proportional reinsurance accepted	**R0420**			
Gross - Non- proportional reinsurance accepted	**R0430**			
Reinsurers' share	**R0440**			
Net	**R0500**	-745		-745
Expenses incurred	**R0550**	11,533		11,533
Other expenses	**R1200**			
Total expenses	**R1300**			11,533

S.17.01.02 Non-Life Technical Provisions

£'000's

		Direct business and accepted proportional reinsurance		Total Non-Life obligation
		Fire and other damage to property insurance	Legal expenses insurance	
		C0080	C0110	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**	-138	-52	-190
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	1,112	-20	1,092
Net Best Estimate of Premium Provisions	**R0150**	-1,250	-32	-1,282
Claims provisions				
Gross	**R0160**	8,172	135	8,307
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	549	135	684
Net Best Estimate of Claims Provisions	**R0250**	7,623		7,623
Total Best estimate - gross	**R0260**	8,034	83	8,117
Total Best estimate - net	**R0270**	6,373	-32	6,341
Risk margin	**R0280**	967		967
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**	9,001	83	9,084
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	1,661	116	1,776
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	7,340	-32	7,308

S.19.01.21 Non-Life Insurance Claims

£'000's

Total Non-Life Business

Accident year / Underwriting year	Z0020	Accident year [AY]

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	**R0100**											8	**R0100**	8	8
2010	**R0160**	5,626	5,137	1,253	1,045	626	428	14	126	154	49		**R0160**	49	14,457
2011	**R0170**	5,571	3,313	903	540	406	70	434	438	162			**R0170**	162	11,836
2012	**R0180**	6,560	3,571	481	159	66	460	421	399				**R0180**	399	12,117
2013	**R0190**	4,771	3,096	579	109	326	359	67					**R0190**	67	9,307
2014	**R0200**	4,912	2,354	842	239	9	104						**R0200**	104	8,459
2015	**R0210**	4,623	3,751	547	82	121							**R0210**	121	9,125
2016	**R0220**	5,431	3,440	335	18								**R0220**	18	9,224
2017	**R0230**	6,948	5,150	874									**R0230**	874	12,973
2018	**R0240**	8,893	5,974										**R0240**	5,974	14,867
2019	**R0250**	6,676											**R0250**	6,676	6,676
												Total	**R0260**	14,455	109,051

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	**R0100**											5	**R0100**	5
2010	**R0160**							13	5	-1	4		**R0160**	4
2011	**R0170**						49	35	20	2			**R0170**	2
2012	**R0180**					88	42	23	26				**R0180**	27
2013	**R0190**				101	341	244	241					**R0190**	249
2014	**R0200**			268	218	125	79						**R0200**	81
2015	**R0210**		1,272	383	185	198							**R0210**	204
2016	**R0220**	7,601	936	353	368								**R0220**	379
2017	**R0230**	6,058	1,210	502									**R0230**	520
2018	**R0240**	6,389	1,737										**R0240**	1,802
2019	**R0250**	4,690											**R0250**	5,035
												Total	**R0260**	8,307

S.23.01.01 Own Funds

£'000's

		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	1	1			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	27,498	27,498			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-477	-477			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
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	27,022	27,022			
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	27,022	27,022			
Total available own funds to meet the MCR	R0510	27,022	27,022			
Total eligible own funds to meet the SCR	R0540	27,022	27,022			
Total eligible own funds to meet the MCR	R0550	27,022	27,022			
SCR	R0580	13,899				
MCR	R0600	3,475				
Ratio of Eligible own funds to SCR	R0620	194.42%				
Ratio of Eligible own funds to MCR	R0640	777.68%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	27,022
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	27,499
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-477
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

S.25.01.21 Solvency Capital Requirement – for undertakings on Standard Formula

£'000's

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	7,299		
Counterparty default risk	R0020	1,482		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	8,619		
Diversification	R0060	-4,006		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	13,394		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	671
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-166
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	13,899
Capital add-on already set	R0210	
Solvency capital requirement	R0220	13,899
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	

		Yes/No
Approach to tax rate		C0109
Approach based on average tax rate	R0590	2 - No

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	-166
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	-166
Maximum LAC DT	R0690	

S.28.01.01 Minimum Capital Requirement

£'000's

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	1,861

		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**		
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**	6,373	16,826
General liability insurance and proportional reinsurance	**R0090**		
Credit and suretyship insurance and proportional reinsurance	**R0100**		
Legal expenses insurance and proportional reinsurance	**R0110**		0
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**		
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
MCR_L 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**	1,861
SCR	**R0310**	13,899
MCR cap	**R0320**	6,254
MCR floor	**R0330**	3,475
Combined MCR	**R0340**	3,475
Absolute floor of the MCR	**R0350**	3,187
		C0070
Minimum Capital Requirement	**R0400**	3,475