uia mutual

UIA (Insurance) Ltd

Solvency and Financial Condition Report

As at 31 December 2017

Contents

Solvency and Financial Condition Report

1. Summary

1.1 Introduction

Solvency II, the European Union regulatory regime for insurance companies, came into effect on 1 January 2016. This is the second Solvency and Financial Condition Report (SFCR) and is published on our website following review and approval by the Audit Committee and the Board.

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

1.2 Business performance

The 2017 underwriting losses of £4.4m have been primarily driven by a higher than expected loss ratio of 67%, up from 55% in 2016. The increased loss ratio for 2017 is due to a flood loss event in Northern Ireland and an increase in large losses generally. An investment return of £2.9m and other income reduced the pre taxation loss to £1.4m, and £1.9m after the tax that we pay on our investment returns. Our share of the UNISON defined pension benefit liability fell by £1.1m and thus total comprehensive expense for the year reduced to £0.8m.

At the end of the year, we had total assets amounting to £83.3m (2016: £79.6m) of which £60.7m (2016: £ 58.6m) were investment fund assets. The increase in total assets is due to a combination of factors: the value of our financial investments has increased by £2.1m (2016: £2.9m) and our share of the final salary pension liability provision reduced by £0.7m (2016: increase £5.5m).

By the year-end, we had £36.3m (2016: £37.1m) of retained profits and a 173% coverage of our solvency capital requirement.

1.3 Governance

We are governed by a Board that at the end of the year comprised of nine Directors; one executive Director and eight non-executive Directors, two of whom are nominated by our trade union partners. All of the other six non-executive Directors are independent. The Company has an Audit Committee, a Risk Committee and a Nominations and Remuneration Committee.

We meet the requirements of the Senior Insurance Managers Regime (SIMR) by undertaking detailed background checks prior to recruitment on all individuals seeking such approval to ensure they are fit and proper and are committed to the appropriate standards of risk management and internal control. The Board is accountable to the members of the Company for ensuring that 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.

1. Summary (continued)

1.4 Risk profile

The risks associated with our Solvency Capital Requirements are:

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

These are considered individually in Section 4. Of those listed above, our main risk is the risk that our liability to our share of the UNISON defined benefit pension scheme increase dramatically or that any recovery plan becomes prohibitively expensive. The scheme is in the midst of a triennial valuation and there are discussions, as normal, between the scheme trustees and the Pensions Regulator. A recovery plan, following on from the 2014 triennial valuation, is in place which acts to reduce benefits for future service, and thus reduce the impact of future service accruals on the deficit. As part of the current 2017 triennial valuation this plan is being reviewed to ensure that it is appropriate for the future requirements of funding benefits and reducing the pension deficit. As a sponsoring employer of the scheme, we have established a working group to monitor the review and consider alternative solutions to the current situation if needed.

1.5 Valuation and capital requirement

The Company's solvency valuation is based on UKGAAP accounting standards and uses the Solvency II guidance and principles to translate the UKGAAP 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 made up 100% of members' funds arising from retained profits, which have arisen 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 Minimum Capital Requirement (MCR) or Solvency Capital Requirement (SCR).

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. We, as at 31 December 2017, have a solvency ratio of 173% (2016:178%), as shown below.

Solvency category	2017 £'000's	2016 £'000's	Change £'000's
Market risk	15,749	17,109	(1,361)
Counterparty risk	1,323	977	346
Non-life underwriting risk	10,746	10,186	560
Diversification credit	(6,035)	(5,847)	(187)
Basic solvency capital requirement	21,783	22,425	(642)
Operational risk	719	672	46
Solvency capital requirement	**22,502**	**23,097**	**(595)**
Own funds	38,980	41,033	(2,053)
Surplus	16,478	17,936	(1,458)
Solvency ratio	**173%**	**178%**	**(5)%**

2. Business and performance (unaudited)

2.1 Business

UIA (Insurance) Ltd is a personal lines, UK based, mutual insurance Company.

The day-to-day operations of the Company are managed by the Chief Executive Officer (CEO) under delegated authority from the Board. The CEO is assisted in fulfilling this responsibility by the Executive Group, the Policy, Pricing, Underwriting and Partnerships Group ('PPUP'), the Investment Management Group, the Risk Management Group and the Capital and Reserving Group as shown in Appendix A. Each group is comprised of the Executive Director and senior managers of the Company and has specific terms of reference and reporting lines. The Company is governed by a Board comprising of a non-executive chair, seven non-executive Directors and one executive Director. The average monthly number of full time equivalent employees including executive directors during 2017 was 146 (2016:133).

The Company is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. As a Category 5 firm the Company does not have a named supervisor and is managed by the smaller insurer regime. Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA is the lead supervisor for the purpose of Solvency II regulation.

Our auditor is Deloitte LLP, Statutory Auditor, Manchester, United Kingdom

2.2 Performance

2.2.1 Underwriting performance

We measure underwriting performance as net premiums, less claims and expenses, net of an allocation of investment return based on an assessment of insurance assets relative to total assets, as shown in the technical account in our Reports and Accounts.

The 2017 underwriting losses of £4.4m have been primarily driven by a higher than expected loss ratio of 67%, up from 55% in 2016. The increased loss ratio for 2017 is due to a flood loss event in Northern Ireland and an increase in large losses generally.

2.2.2 Investment performance

Our investment performance, comprising investment income and realised and unrealised gains net of investment management expenses, was £3.0m against £4.5m in 2016. In late 2017, our investment strategy was changed. The introduction of Solvency II led the Board to reconsider its strategic asset allocation and to align investment portfolios to our risk appetite. Accordingly, we liquidated our directly held equity portfolio and now invest mainly in fixed interest government and corporate bonds, cash and cash equivalents. Future investment return is expected to be significantly lower in the future, following this de-risking of the portfolio.

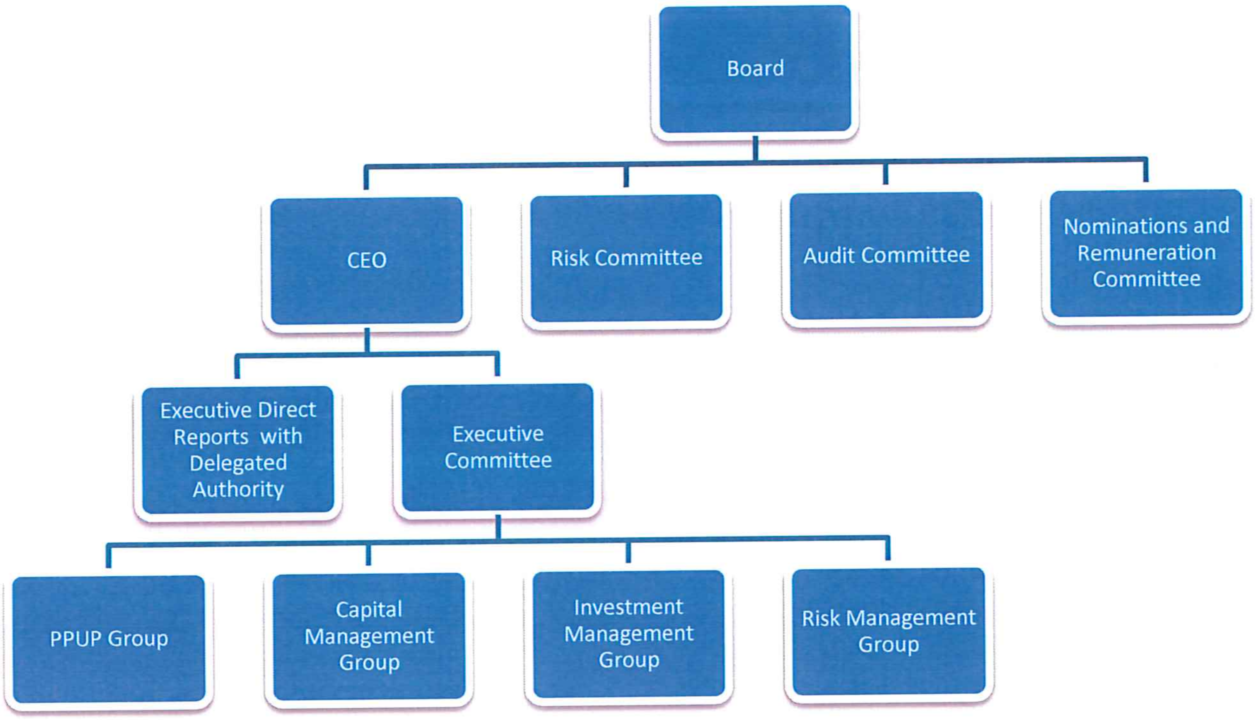
2.2.3 Overall performance

Our combined underwriting and investment performance generated a total loss after tax of £1.9m for our policy holders. The movement on our pension fund deficit was a credit of £1.1m leaving the overall reduction in our company's value of £0.8m.

3. System of Governance (unaudited)

3.1 General Information

The Company is governed by the Board, which has delegated authority to the CEO for day-to-day operational matters. The picture below is an extract of our Governance Map outlining our governance structure.



The Board

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

Peter Dodd	Chairperson
Jon Craven	Chief Executive Officer
Bob Abberley	
Tim Holliday	
Lucia McKeever	
Eithne McManus	
Oliver Peterken	
Marion Saunders	Senior Independent Director
Tony Woodley	

3. System of Governance (continued)

The Board (continued)

The role of the Board is to set and manage the strategy for the Company and its wholly owned subsidiaries in a manner that upholds the vision of the organisation. This is in addition to delivering the maximum value to the Company for the benefit of its members, whilst complying with the relevant regulatory requirements, the rules of the organisation and Company charter. The Board operates to a "Charter" which defines how it is comprised and the key roles and responsibilities of the Chief Executive Officer (CEO), the executive directors, the Chairperson, the Senior Independent Director and other non-executive Directors. The Board takes collective responsibility for setting and delivering against the Company's corporate objectives and ensuring the long-term success of the organisation. The Board will:

- Ensure the necessary financial and human resources are in place to achieve the Company's objectives;
- Provide direction and oversight to the Company's compliance with its regulatory and legal obligations;
- Provide the necessary corporate and management resources;
- Determine the policies applicable to the Company 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 Company's strategic objectives;
- Establish and maintain a framework of risk management and internal controls that enables the strategic financial and operational risks of the Company to be assessed and managed;
- Monitor progress by the Company towards the achievement of its objectives and compliance by the Company with approved plans and agreed policies;
- Report to the Members and relevant stakeholders on the Company's activities, presenting a clear assessment of the Company's position and prospects;
- Approve the appointment of Board Committees with the appropriate balance of skills, independence and knowledge to meet the Company's requirements and relevant corporate governance standards;
- Delegate clearly defined responsibilities to the Chair, the Senior Independent Director, the Chief Executive Officer, 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
- To fulfil the specific responsibilities of the Board as set out in the Statement of Board Reserved Powers.

The Company has an Audit Committee, a Risk Committee and a Nominations and Remuneration Committee, the details of which are as follows:

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 Company's financial accounts on an annual basis.

The Audit Committee is formed of non-executive Directors, at least one of whom has recent and relevant financial experience. The Board has stated that at least two non-executive Directors on the Audit Committee should be independent. 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 Company within the financial statements.

3. System of Governance (continued)

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 Company's risk management strategy.

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 strategic objectives.

The Board carries out an annual review of the Company'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.

Nominations and Remuneration Committee

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

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 companies while being sensitive to pay and conditions for other staff within the Company. The Committee ensures that a significant proportion of remuneration is structured so as to link rewards to corporate and individual performance.

The Board will ensure that 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 Company to attract, motivate, and retain suitably qualified individuals.
In order to benchmark all roles both internally and externally, we used a number of external sources. In 2016, we used the services of Willis Towers Watson to consider the levels of Executive Directors remuneration. In 2017 we used Croner to consider the levels of colleagues pay across the business, and in 2018 we are using Keystone to consider the levels of remuneration for non-executive directors. None of these companies have a connection to the Company other than providing these services

The policy is to allow discretion to accommodate the need to attract different skills, experience and knowledge. Fees comprise a basic annual fee, paid in monthly instalments. Fees are neither pensionable nor performance-related and non-executive Directors do not participate in any bonus schemes.

Further details on remuneration can be found in the report and accounts in the Directors' remuneration report on pages 19 to 20.

For colleagues other than executive and non-executive Directors, the UIA Salary Policy defines our approach to pay and reward in relation to both fixed and variable pay for all permanent UIA colleagues.

UIA operates both a defined benefit and a defined contribution pension scheme, which are open to all colleagues on joining the organisation. In line with each scheme's rules, they allow for UIA making an application for early or ill health retirement, to be considered by the Pension Trustees; this would be based on appropriate medical advice and opinion.

3. System of Governance (continued)

Executive management groups

In order to assist the CEO in the fulfilment of his responsibilities, we have formed a series of management groups to consider specific areas of the Company's operations. These groups meet regularly and are:

- Pricing, Policy, Underwriting and Partnerships;
- Risk Management;
- Capital Management; and
- Investment Management

Further advisory and management groups are being considered in relation to Membership and colleague matters.

3.2 Fitness and Propriety

We are committed to ensuring that all members of its Board, the key function holders, and other senior individuals within our Company, behave with integrity, honesty and skill, and this commitment is documented in the 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 which 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 criminal record and credit checks;
- An appropriate induction programme;
- A job description, setting out the significant requirements of their role and the maintenance of a scope of responsibilities (SOR) document, listing the core governance and key functions applicable to the role;
- An annual assessment of the fitness and propriety of all key function holders, accompanied by a signed confirmation of 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.

Where a key function is outsourced, we ensure that the outsourcing firm carries out appropriate assessments of fitness and propriety for those responsible for the provision of the function and provides evidence of this.

In addition, the Board's Nomination 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 Nomination 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, as and when required.

In order to consider the Boards effectiveness, in October 2017 an external review was commissioned. This was conducted by BP&E Global who presented their findings at the November Board. The review commended the Board for all of the work that was already underway to improve Board effectiveness and that it provided a good governance framework and strong systems and controls. It noted that the quality of information presented to the Board has evolved over the last year, and continues to improve. The report also made a number of recommendations for improved effectiveness.
Additionally, members of the Board have participated in in-house training activities covering our business transformation programme and regulatory and compliance. Our external auditors also provided training in respect of reserving techniques and other related matters ahead of our year end.

3. System of Governance (continued)

3.3 Risk Management and Own Risk and Solvency Assessment (ORSA) process

We are committed to the appropriate standards of risk management and internal control, and as such, being a non-complex category 5 firm, writing predominately fire and property damage insurance, the Board effectively manages risk management and internal controls together, as this is deemed the most effective approach for a company of our size and complexity. The Board through the Risk Committee is accountable to our members for ensuring that 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 Risk Committee met six times in 2017 and is chaired by Oliver Peterken.

The Committee assists the Board in establishing, monitoring and amending the effectiveness and appropriateness of the Group's risk management strategy and policies. At least once a year the Committee reviews the Risk Appetite and reports to the Board any recommendations including assessing the appropriateness of the Corporate Plan in the context of the Risk Appetite. At each meeting it reviews the Risk Register to ensure that 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 mitigate or minimise 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.

It reviews the Own Risk and Solvency Assessment (ORSA) policy and the ORSA itself, including having an input into the choice of stresses and scenarios that are considered as part of the ORSA and the appropriateness of the Standard Formula for the purposes of setting the Solvency Capital Requirement (SCR). The Committee encourages a culture of risk awareness throughout the Company. It provides advice on aspects of risk on request from the Board.

The 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 company's risk appetite and in particular its appetite for market risk
- The Company's investment strategy, and the implementation of a revised asset allocation strategy following the change in market risk appetite;
- A review of the detailed risk register;
- The draft ORSA report and the quarterly SCR; and
- The appropriate reinsurance strategy

During 2017 we have operated a system of internal control which 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 on an ongoing basis, through the systems of risk management and internal controls, the risks facing us. These processes include:

- Board discussion and approval of the Company'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 Company against these risks;

3. System of Governance (continued)

3.3 Risk Management and Own Risk and Solvency Assessment (ORSA) process (continued)

- 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 Company, 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 Company's operations. During 2017, the information received and considered by the Audit Committee provided assurance that there were no material control failures and this is evidenced by the annual audit opinion as 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 Company;
- 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.

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

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 all changes to the Company risk register.

The Board confirms that there has been in place for the year under review an ongoing process for identifying, evaluating and managing the risks faced by us that are significant to the achievement of its business objectives.

In light of the above, 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.

3. System of Governance (continued)

3.3 Risk Management and Own Risk and Solvency Assessment (ORSA) process (continued)

As part of this process, we have an Own Risk and Solvency Assessment (ORSA) policy which has been approved 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. During 2017, this ORSA process was completed twice following the re-evaluation of our long-term business plan.

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.

The ORSA includes an assessment of what capital the Company is required to hold under regulatory requirements with the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) calculated using the standard formula prescribed by the regulator.

This ORSA process is a material part of our 5 year business plan projections, and various stress tests applied to it as detailed in Section 6 – Capital Management.

3.4 Compliance function

The Compliance function is responsible for:

- Identifying, assessing, monitoring and reporting our compliance risk exposure;
- Assessing possible impact and legislative change and monitoring the appropriateness of compliance procedures; and
- Assisting, supporting and advising us in fulfilling its responsibilities to manage compliance risk.

Compliance oversight is the responsibility of the CEO who holds the regulatory CF10 approval to undertake the compliance reporting to the governing body. There is an in-house compliance team that conducts the required monitoring and gives the business compliance assurance and guidance.

The compliance MI and output from any monitoring activity is reported to the Audit committee and Board on a regular basis.

3.5 Risk function

The Risk function is responsible for:

- Own Risk and Solvency Assessment (ORSA) process;
- Coordinating the process of identifying, managing, monitoring and reporting on current and emerging risks;
- Setting the overall risk management and strategic framework; and
- Monitoring and assisting in the effective operation of the Company's risk management framework and maintaining an accurate view of the Company's risk profile.

3. System of Governance (continued)

3.6 Internal audit function

During the year under review, our internal audit function was outsourced to RSM who have been engaged for three years.

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 Company'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 through executive management.

3.7 Actuarial function

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

The Company's Head of Actuarial and Underwriting acts as Actuarial Function Holder and submits an annual report to the Board on the operation of the function, the SII 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 Company 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 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.

3.8 Outsourcing

The company has formally documented its outsourcing policy, as well as a due diligence and risk assessment process prior to any final decision being made as to whether to outsource a material business activity.

The company has outsourced arrangements with a professional firm to conduct the Internal Audit Function as disclosed in Section 5.6, as well as fund management and claims handling, which also includes out of hours claims notifications to UK based organisations. The distributor for the Home Emergency and Legal Expenses products handles the claims from that book of business.

An IT function has been outsourced to a company based in India, which covers a minimal amount of business as usual support relating to the provision of management information.

Each material outsourced arrangement is subject to ongoing monitoring and review.

4. Risk Profile

4.1 Underwriting Risk

We accept fire and property damage risks in the United Kingdom 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 Company also underwrites Home Emergency (HE), Before The Event (BTE) Legal and After The Event (ATE) Legal cover.

The principal risk faced by us 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 established using estimation techniques.

Household underwriting risk is derived from two sources:

- Reserving risk – which is a failure to adequately capture reserves leading to adverse development patterns; and
- Premium risk – which is a failure to capture an adequate premium for the risks underwritten

To manage the reserving 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 (Building Level Tariff: BLT) 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.

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 Company reviews the highest concentration of risks by total sum insured within a 200 metre radius. The postcode is used as a proxy for this. We are growing our public brand with nation-wide coverage which is diversifying the exposure. The historic union brand has an inherent geographical exposure concentration where trade union membership is strong.

Our Product, Pricing, Underwriting and Partnerships Group reviews and approves pricing recommendations and reviews any new opportunities. We maintain an Underwriting philosophy document, an Underwriting Manual and have an Underwriting Policy.

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 Home Emergency, BTE Legal and ATE Legal we have 100% Quota share arrangements with specialist reinsurance companies.

For 2018 our reinsurance programme has been slightly modified to include a higher reinsurance upper limit of £35m, an increased deductible of £2m, and removal of the Facultative per Risk XL. The reinsurance strategy is reviewed at least annually by the Risk Committee and changes are approved by the Board.

4.2 Market Risk

Market risk is the risk arising from fluctuations in the values of, or income from, the Group's assets due to fluctuations in equities, interest rates, or exchange rates.

A holistic review of the strategic asset allocation policy was undertaken in 2017 by the Board. This resulted in a rebalancing of the investments portfolio away from equities and towards corporate and government bonds in addition to rationalising the number of external investment managers used. Market risk is considered and monitored via the Capital Management group.

4. Risk Profile (continued)

4.3 Credit Risk

Our exposure to credit risk arises from our direct insurance trading activities, the exposure to the reinsurance we purchase and our investment activities. The risk is that in the absence of appropriate guidelines and procedures we may not be able to limit our credit exposure which could affect earnings and capital.

We, through the Board and Risk Committee, seek to limit, as far as is practical, exposure to credit risk from its investment and reinsurance activities. To achieve this objective it has established guidelines, procedures and monitoring requirements to manage credit risk.

The carrying amount of financial and reinsurance assets represents the Company'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.

The Company monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investment and reinsurance assets held.

Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. All reinsurers on the household programme are contracted to have a credit rating of A- or better.

A full table of the credit risk applying to financial and reinsurance assets is contained on page 47 of the Annual Report and Financial Statements.

4. Risk Profile (continued)

4.4 Liquidity Risk

Liquidity risk is the risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due.

We, through the Board and Risk Committee, seek to limit exposure to liquidity risk by ensuring liquidity is optimally managed and that all known cash flows can be met out of readily available sources of funding. We maintain a strong liquidity position.

The table below shows a breakdown of all assets held at Company, not Group, level, excluding underlying pension assets:

Asset type	Amount £'000's
Cash	14,446
Collateralised securities	6,892
Corporate bonds	40,260
Equity holdings in subsidiaries	264
Forward contracts	2
Government bonds	1,060
Investment funds	107
Total	**63,030**

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

4.5 Operational Risk

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

Focus is placed on such risks by the Risk Committee and the Board. A risk register covering all risk is maintained and reviewed by the risk function and Risk Committee.

4.6 Pension Risk

The company is a sponsoring employer and part of a multi-employer defined benefit pension scheme.

The current employer pension scheme is in a deficit position. A triennial valuation took place in 2014 with an overall funding deficit of £123 million. This deficit has increased as part of the annual reassessment of pension assets and liabilities. A 2017 triennial valuation is currently in progress, however this has not been finalised as at the date of this report. Our share of any reassessment of the deficit is approximately 5%.

A recovery plan, following on from the 2014 triennial valuation, is in place which acts to reduce benefits for future service, and thus reduce the impact of future service accruals on the deficit. As part of the 2017 triennial valuation this plan is being reviewed to ensure that it is appropriate for our future requirements of funding benefits and reducing the pension deficit. As a sponsoring employer of the scheme, we have established a working group to monitor the review and consider alternative solutions to the current situation if needed.

There is a further risk in that the scheme is a multi-employer scheme, and the rules are such that in theory, the company could become liable for the payment of benefits to all members in the unlikely event of the financial failure of the other sponsoring employers. We are currently in the process of seeking to mitigate this risk.

4. Risk Profile (continued)

4.7 Stress tests, scenarios and the reverse stress test

As part of the ORSA process we test our capital requirement against a number of stress tests, scenarios and a "reverse stress test", testing the business to events where it is no longer solvent. These measure the robustness of the Company's capital position over a one year time horizon to a 5 year time horizon.

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 which are not necessarily linked. The reverse stress test involves identifying a scenario which could potentially lead the business to not being viable from a commercial and regulatory point of view.

Below are the stress and scenario tests which have been modelled in our 2017 ORSA:

Scenario	Description
1	A fall in Equity markets of 30% combined with a shock increase in our pension deficit of £5m
2	A fall in Equity markets of 30% combined with a downgrade of all asset credit ratings by one Credit Quality Step as defined by EIOPA
3	Claims shock of £4m net of reinsurance combined with gross written premium reducing to £20m
4	A £15m gross windstorm loss, combined with a £5m flood event, two £1m flood events and £1m of attritional claims and their impact on reinsurance recoveries, reinstatement premiums payable and effect on available funds for investment.

Looking at the nature and type of event that might result in the Company's failure over the coming year, given our strong solvency position and reinsurance purchasing such an event would need to be extreme. Two possibilities that may result in the Company's failure include: an extreme weather event, well beyond a return period of 1 in 200, and the failure of the other pension scheme sponsor, triggering our "Last Man Standing" commitment.

5. Valuations for Solvency Purposes

5.1 Assets

We set out below the basis for our Solvency II asset valuation for each main class of asset compared to the GAAP valuation as at 31 December 2017. The GAAP valuation is based on the UK GAAP accounting policies, as described in the Company report and accounts on pages 37 to 43:

	UK GAAP valuation		**Adjustment**	**Solvency II valuation**
	2017 £000	Note	**2017** £000	**2017** £000
Assets				
Intangible assets	1,158	1	(1,158)	-
Investments	61,007	2	149	61,156
Reinsurance recoverable from: non-life excluding health	2,146	3	(1,452)	694
Unearned premiums	2,269	4	(2,269)	-
Insurance and intermediaries receivable	11,505	5	(11,505)	-
Receivables trade, not insurance	874	6	-	874
Property, plant & equipment held for own use	71	7	-	71
Cash and cash equivalents	2,023	8	281	2,304
Any other assets not elsewhere shown	2,200	9	(2,196)	4
Total assets	**83,253**		**(18,150)**	**65,103**

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 (Generally Accepted Accounting Practice), which for investments is at fair value, further details can be found in the Company's report and accounts on pages 40 to 42. The adjustment relates to cash holdings in the underlying investment portfolios which is used for the Solvency II balance sheet calculations, and the separate reporting of positive (£432k) and negative (£429k) derivative positions.

5. Valuations for Solvency Purposes (continued)

5.1 Assets (continued)

Note 3 Reinsurance recoverable from: Non–life excluding health

The value under GAAP represents amounts recoverable from reinsurers on outstanding claims relating to Home Emergency and legal insurance which is 100% reinsured out. These are treated as technical provisions in the Solvency II balance sheet. 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 considers a probability weighted average of all possible outcomes.

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

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 between the Solvency II and the GAAP balance.

Note 7 Property, plant and equipment held for own use

These are valued on the same basis between the Solvency II and the GAAP balance sheet, 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 Company's report and accounts on page 39.

Note 8 Cash and cash equivalents

These are valued on the same basis between the Solvency II and the GAAP balance sheet other than for cash balances held by the asset manager which are included in 'Cash and Cash Equivalents' in the Solvency II balance sheet and not in 'Investments' under UK GAAP.

Note 9 Any other assets not held elsewhere

Deferred acquisition costs and prepayments are not considered as 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.

5. Valuations for Solvency Purposes (continued)

5.2 Liabilities

We set out below the basis for our Solvency II liability valuation for each material class of liability compared to the GAAP valuation as at 31 December 2017:

	UK GAAP valuation		Adjustment	Solvency II valuation
	2017 £000	Note	**2017** £000	**2017** £000
Members equity	35,671	1	3,309	38,980
Liabilities				
Technical provisions – non-life (excluding health)	26,638	2	(15,022)	11,616
Insurance & intermediaries payables	3,551	3	(3,551)	-
Reinsurance payables	3,316	4	(3,316)	-
Any other liabilities not elsewhere shown	3,782	5	429	4,212
Pension benefit obligations	10,295	6	-	10,295
Total equity and liabilities	**83,253**		**(18,151)**	**65,103**

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 21 for a detailed comparison.

Note 3 Insurance and Intermediaries payables

These are included within the technical provisions in the table on page 21.

Note 4 Reinsurance payables

These are included within the technical provisions in the table on page 21.

Note 5 Any other liabilities, not elsewhere shown

These are valued on the same basis between the Solvency II and the GAAP balance sheet. However, the Solvency II balance sheet reports separately on the positive (£432k asset) and negative (£429k liability) derivative positions.

5. Valuations for Solvency Purposes (continued)

5.2 Liabilities (continued)

Note 6 Pension benefit obligations

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

The pension deficit has decreased from £11.0m as at 31 December 2016 to £10.3m at 31 December 2017. The pension deficit reduced as investment gains outweighed an increase in liabilities due to a small reduction in the future discount rate of liabilities. The scheme is in the process of having a triennial valuation. Further details can be found in the Company's report and accounts on pages 65 to 67.

The balance sheet position of our share of the scheme as at 31 December 2017 is as follows:

	2017 £'000's	**2016** £'000's
Present value of Scheme liabilities	**(40,946)**	(38,390)
Fair value of Scheme assets	**30,651**	27,366
Surplus / (deficit)	**(10,295)**	(11,024)

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

	2017 %	**2016** %
Equity instruments	**45**	43
Debt instruments	**30**	30
Property	**8**	9
Multi-asset funds	**17**	18
Cash	**-**	-
	100%	100%

5. Valuations for Solvency Purposes (continued)

5.2 Liabilities (continued)

Technical provisions

Technical provisions represent the current cost of insurance liabilities at the balance sheet date.
They are calculated on a discounted cash flow basis and include the following high level components which are calculated separately:

- Best estimate of claims provisions being claims incurred at the balance sheet date; and
- Best estimate of premium provision being the discounted best estimate of all future cash-flows (claims payments, expenses and future premiums), relating to future exposure on contracts bound or incepted prior to the balance sheet date.

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

Provision		GAAP Item	GAAP Value	SII Item	SII Value	Difference	% Difference
GAAP: Claims Outstanding Provision SII: Claims Provision	Household	Claims Outstanding	6,482,799	Discounted Claims Outstanding	6,436,340	46,458	1%
	Household	IBNR including: - 10% CHE - 10% prudency loading	3,877,000	Discounted IBNR including: - 10% CHE	2,166,406	1,710,594	44%
	Household	Total Household	10,359,799	Total Household	8,602,747	1,757,052	17%
	ATE/BTE/HE	ATE Reserves/Expected future payables	2,193,624	ATE Reserves	0	2,193,624	100%
		Total Claims Provision	**12,553,423**	**Total Claims Provision**	**8,602,747**	**3,950,676**	**31%**
GAAP: Unearned Premium Provision; SII: Premium Provision	Household	Household Unearned Premium	12,361,663	-	0	12,361,663	
	Household	HE & Legal Unearned Premium	748,226	-	0	748,226	
	Household	-	0	Projected Future claims payable including: - 10% CHE	6,195,850	(6,195,850)	
	Household	-	0	Projected operating expenses	3,423,130	(3,423,130)	
	Household	-	0	Projected Premium Receivable (uncollected)	(7,846,238)	7,846,238	
	Household	Total Household	13,109,889	Total Household	1,772,741	**11,337,148**	**86%**
	ATE/BTE/HE	-	0	Expected future receivables	149,358	(149,358)	
		Total UEP	**13,109,889**	**Total Premium Provision**	**1,922,100**	**11,187,790**	**85%**
GAAP: Other Technical Provisions; SII: Premium Provision		**URR**	**975,069**			975,069	100%
				Risk Margin	**1,091,221**		
Total Provision			**26,638,381**		**11,616,068**	**15,022,313**	**56%**

Overall we consider that the technical provisions are prepared on a suitable basis, in line with the approach laid down in the legislation. It is expected that our approach will continue to develop and be refined in response to external audit, or challenge, ongoing commentary and guidance by the regulator and our own ongoing continuous improvement reviews.

In the face of uncertainty we have taken a cautious approach. Where we believe our best estimate lies in a range of values we are biased towards higher values at this stage through our choice of estimates or parameters within calculations. Control over our sources of data and the processing of that data are effective. 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. There are some opportunities to refine our approach. There will always be a trade-off between model precision and error rate.

5. Valuations for Solvency Purposes (continued)

5.2 Liabilities (continued)

Technical provisions (continued)

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

Provision	Description – GAAP Basis	Description – SII Basis
GAAP: Claims Outstanding Provision SII: Claims Provision	This includes: • Outstanding household reserves (extracted from our claims system), • IBNR (calculated by the actuarial department) including additional 10% claims handling expenses and additional 10% prudency loading (90% confidence interval) • Legal Expenses (ATE) reserves (calculated by finance department)	This includes: • Discounted outstanding reserves (extracted from Management Information system), • Discounted best estimate IBNR (calculated by the actuarial department) including additional10% claims handling expenses, • Home Emergency and Legal Expenses reserves as calculated by Actuarial presented on a net basis
GAAP: Provision for Unearned Premium SII: 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, • Home Emergency and Legal Expenses (Add-on products) unearned premium calculated using 1/24th earned pattern)	This includes: • Projected future claims payable (based on current policies, assume retention of 0%) including 10% claims handling expenses, • Projected future operating expenses (based on core expenses required to process claims), • Expected future premium (based on premium still to be collected, not earned) net of reinsurance premiums • Home Emergency and Legal Expenses expected future receivables (as listed in the management accounts) presented on a net basis
GAAP: Other technical provisions Unexpired Risk Reserve	• Separate allowance for URR taken as the expected cost of future claims and expenses from unexpired risks less expected future premiums of unexpired risks.	• Included in premium provision calculation

We value technical provisions on a best estimate basis using widely recognised and accepted Technical Actuarial Standards (TAS).

Solvency II requires undertakings to set up technical provisions which correspond to the current amount of liabilities which would have to be paid if they were to transfer their insurance obligations immediately to another undertaking. The technical provisions are the principle building blocks for the Solvency II balance sheet.

Technical provisions under the GAAP valuation are calculated on an undiscounted and 'prudent' basis. Under Solvency II the technical provisions consist of a discounted best estimate plus a prescribed risk margin (RM). The best estimate is calculated gross, without deduction of the amounts recoverable from non-proportional reinsurance contracts but applying any proportional quota share contracts on ATE/BTE/HE business. Those amounts are calculated separately. The best estimate is a combination of a premium provision and a claims provision.

5. Valuations for Solvency Purposes (continued)

5.2 Liabilities (continued)

Technical provisions (continued)

The actuarial and statistical methods to calculate technical provisions are proportionate to the nature, scale and complexity of the risks that we underwrite. These methods are outlined in this document.

- ***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 Company's budget, as agreed and signed off by the Board. The budget includes the Company's most up to date projection of future business expectation, and most importantly budgeted future claims experience. This is then adjusted to put the business into a state of 'run-off' from the date of publication and any alterations are made to best reflect the costs which the Company 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*** - In order to allocate our projected claims in run-off, we have created a model that uses the number of open claims as 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 0%. 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 10% of claims incurred in both the claim provision and 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 the quarterly IBNR calculation which we carry out. The only changes which are subsequently applied are 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;
    - 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.

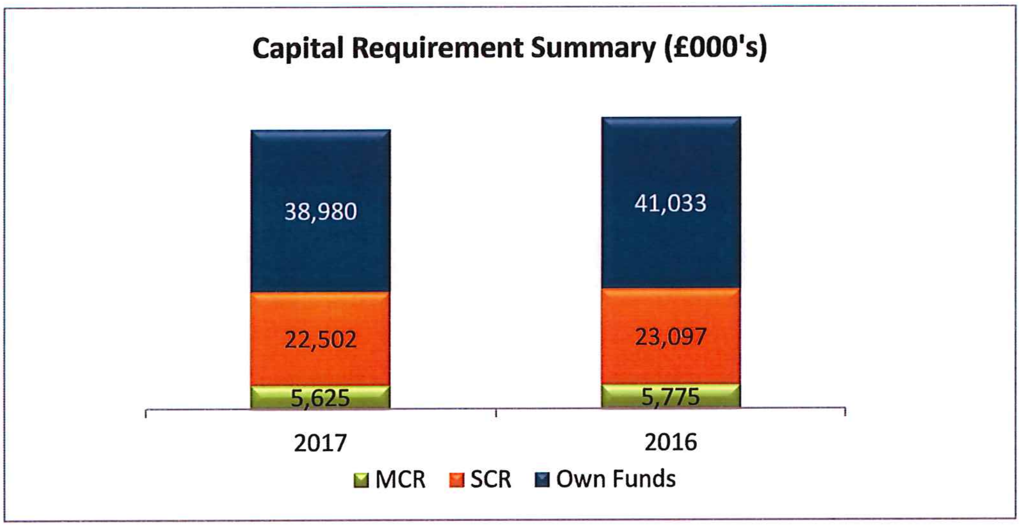
6. Capital Management

6.1 Own Funds at 31 December 2017

As a mutual entity, our own funds are made up 100% of members' funds arising from retained profits, which have arisen from past underwriting and investment surpluses. As such all capital is categorized 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 three years and therefore projections have been produced up to and including 2020. Our internal target is to operate in excess of 150% solvency ratio. This monitored on at least a quarterly basis by both the Capital Management Group and the Risk Committee. Own funds have fallen by approximately £2m compared to 2016; this is in part due to the loss reported in our 2017 Annual Report and Financial Statements and partly due to increased exposure following growth in the business.

The chart below shows our own funds in relation to the SCR and MCR:



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

	Own Funds		QRT Reference
	Per Solvency II	Per GAAP	
Description	£000's	£000's	
Own Funds	38,980	35,671	S23.01.b
Minimum Capital Requirement	5,625		S23.01.b
Solvency Capital Requirement	22,502		S23.01.b
Solvency Ratio	173%		

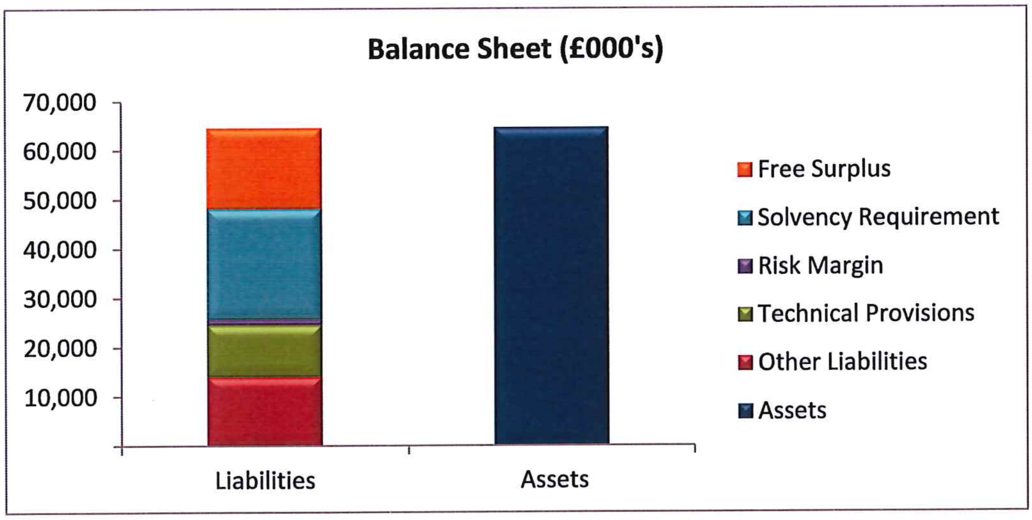
6. Capital Management (continued)

6.1 Own Funds at 31 December 2017 (continued)

The following table sets out reconciliation between the GAAP and SII own funds as at December 2017:

Description	£000's	£'000's
UK GAAP Members' equity		**35,671**
Reallocation of insurance debtors to technical provisions	(11,506)	
Reallocation of reinsurance recoverable under solvency II basis	(1,452)	
Valuation of intangible assets under solvency II basis	(1,158)	
Change in valuation basis for other assets	(4,464)	
Total reduction to assets		**(18,580)**
Reallocation of insurance payables to technical provisions	3,552	
Reallocation of reinsurance payables to technical provisions	3,315	
Recalculation of best estimate under solvency II	13,931	
Risk Margin	1.091	
Total increase in technical provisions		**21,889**
Solvency II own funds		**38,980**

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.

6. Capital Management (continued)

6.2 Solvency Capital Requirement (SCR) at 31 December 2017

Our SCR is calculated using the standard formula basis, having reviewed the assumptions underlying the formula and assessed them as appropriate for us. We have no simplifications applied to the standard formula and have no undertaking specific parameters applied. From the table below we can see that we are currently operating with a solvency ratio of 173%. We have an internal target to operate in excess of a 150% solvency ratio.

The SCR as at December is comprised of the following risk categories:

Solvency category	2017 £'000's	2016 £'000's	Change £'000's
Market risk	15,749	17,109	(1,361)
Counterparty risk	1,323	977	346
Non-life underwriting risk	10,746	10,186	560
Diversification credit	(6,035)	(5,847)	(187)
Basic solvency capital requirement	21,783	22,425	(642)
Operational risk	719	672	46
Solvency capital requirement	**22,502**	**23,097**	**(595)**
Own funds	38,980	41,033	(2,053)
Surplus	16,478	17,936	(1,458)
Solvency ratio	**173%**	**178%**	**(5)%**

The SCR ratio has remained stable over the last year with the SCR itself decreasing £595k over the period along with a reduction of £2,053k of our own available funds.

Market Risk has decreased due to rebalancing the investment portfolio as referenced in Section 4.2. Bond type investment instruments typically attract lower capital charges compared to equities. Correspondingly, the rebalanced portfolio has resulted in a small increase in Counterparty risk over the period reflecting the portfolio changes.

Non-Life Underwriting Risk has also increased over the period reflecting the exposure growth in the portfolio, lapse risk expense consideration and changes in geographical concentration of exposures.

6.3 Minimum Capital Requirement (MCR)

The MCR is set at 25% of the SCR with no management adjustment considered necessary. The MCR has decreased from £5,774k last year to £5,625k this year.

6.4 Non Compliance with SCR and MCR

We have met our MCR and SCR throughout the year.

Appendix A

Statement of Directors' Responsibilities

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) 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 Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

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

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

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

By Order of the Board

Jon Craven
Chief Executive Officer
24 April 2018

Appendix B

Auditors' Report and Opinion

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF UIA (INSURANCE) LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR")

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2017:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2017, ('the Narrative Disclosures subject to audit'); and

- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

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

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;

- Company templates S.05.01.02, S.19.01.21; and

- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Auditors' Report and Opinion (continued)

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in relation to these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the SFCR, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the SFCR or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in relation to these matters.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

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

Auditors' Report and Opinion (continued)

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

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the SFCR.

Use of our Report

This report is made solely to the Directors of UIA (Insurance) Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of UIA (Insurance) Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.

D Heaton

David Heaton
Manchester, United Kingdom
26 April 2018

Appendix C

Annual QRTs (Quantitative Reporting Templates) as at 31 December 2017

S.01.02.01 Basic Information – General

		C0010
R0010	Undertaking name	UIA (Insurance) Ltd
R0020	Undertaking identification code	2138004QDHX7Q2X1GO36
R0030	Type of code of undertaking	LEI
R0040	Type of undertaking	3 - Non-Life undertakings
R0050	Country of authorisation	GB
R0070	Language of reporting	English
R0080	Reporting submission date	
R0090	Reporting reference date	2017-12-31
R0100	Regular/Ad-hoc submission	1 - Regular reporting
R0110	Currency used for reporting	GBP
R0120	Accounting standards	2
R0130	Method of Calculation of the SCR	1 - Standard formula
R0140	Use of undertaking specific parameters	2 - Don't use undertaking specific parameters
R0150	Ring-fenced funds	2 - Not reporting activity by RFF
R0170	Matching adjustment	2 - No use of matching adjustment
R0180	Volatility adjustment	2 - No use of volatility adjustment
R0190	Transitional measure on the risk-free interest rate	2 - No use of transitional measure on the risk-free interest rate
R0200	Transitional measure on technical provisions	2 - No use of transitional measure on technical provisions
R0210	Initial submission or re-submission	1 - Initial submission

S.02.01.02 Balance Sheet (audited)

£'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**	71
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	61,156
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**	48,211
Government Bonds	**R0140**	1,060
Corporate Bonds	**R0150**	40,259
Structured notes	**R0160**	
Collateralised securities	**R0170**	6,892
Collective Investments Undertakings	**R0180**	107
Derivatives	**R0190**	432
Deposits other than cash equivalents	**R0200**	12,141
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**	694
Non-life and health similar to non-life	**R0280**	694
Non-life excluding health	**R0290**	694
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**	874
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**	2,304
Any other assets, not elsewhere shown	**R0420**	4
Total assets	**R0500**	65,103

S.02.01.02 Balance Sheet (audited) (continued)

£'000's

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	11,616
Technical provisions – non-life (excluding health)	**R0520**	11,616
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	10,525
Risk margin	**R0550**	1,091
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**	10,295
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	429
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
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**	3,782
Total liabilities	**R0900**	26,122
Excess of assets over liabilities	**R1000**	38,980

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

£'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**	23,864	1,076	24,940
Gross - Proportional reinsurance accepted	**R0120**			
Gross - Non-proportional reinsurance accepted	**R0130**			
Reinsurers' share	**R0140**	3,289	752	4,042
Net	**R0200**	20,575	323	20,898
Premiums earned				
Gross - Direct Business	**R0210**	23,034	915	23,949
Gross - Proportional reinsurance accepted	**R0220**			
Gross - Non-proportional reinsurance accepted	**R0230**			
Reinsurers' share	**R0240**	1,769	752	2,521
Net	**R0300**	21,266	162	21,428
Claims incurred				
Gross - Direct Business	**R0310**	14,028	934	14,962
Gross - Proportional reinsurance accepted	**R0320**			
Gross - Non-proportional reinsurance accepted	**R0330**			
Reinsurers' share	**R0340**	330	934	1,264
Net	**R0400**	13,698		13,698
Changes in other technical provisions				
Gross - Direct Business	**R0410**	695		695
Gross - Proportional reinsurance accepted	**R0420**			
Gross - Non- proportional reinsurance accepted	**R0430**			
Reinsurers'share	**R0440**			
Net	**R0500**	695		695
Expenses incurred	**R0550**	12,353	156	12,509
Other expenses	**R1200**			
Total expenses	**R1300**			12,509

S.17.01.02 Non-Life Technical Provisions (audited)

£'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	1,782	-4	1,778
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	491	30	521
Net Best Estimate of Premium Provisions	R0150	1,292	-34	1,257
Claims provisions				
Gross	R0160	8,650	96	8,747
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	77	96	173
Net Best Estimate of Claims Provisions	R0250	8,573		8,573
Total Best estimate - gross	R0260	10,433	92	10,525
Total Best estimate - net	R0270	9,865	-34	9,831
Risk margin	R0280	1,091		1,091
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	11,524	92	11,616
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	567	127	694
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	10,957	-34	10,922

S.19.01.21 Non-Life Insurance Claims (unaudited)

£'000's

Accident year / Underwriting year	Z0020	Accident year [AY]

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

	Year		1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											8
2008	R0160	7,573	3,409	852	973	926	893	607	294	73	4	
2009	R0170	6,098	2,673	908	957	878	620	205	16	32		
2010	R0180	5,626	5,137	1,253	1,045	626	428	14	126			
2011	R0190	5,571	3,313	903	540	406	70	434				
2012	R0200	6,560	3,571	481	159	66	460					
2013	R0210	4,771	3,096	579	109	326						
2014	R0220	4,912	2,354	842	239							
2015	R0230	4,623	3,751	547								
2016	R0240	5,431	3,440									
2017	R0250	6,948										

Development year

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	8	46,449
	R0160	4	15,602
	R0170	32	12,389
	R0180	126	14,255
	R0190	434	11,236
	R0200	460	11,296
	R0210	326	8,881
	R0220	239	8,346
	R0230	547	8,921
	R0240	3,440	8,871
	R0250	6,948	6,948
Total	R0260	12,563	153,196

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year		1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
2008	R0160									12	9	
2009	R0170								116	2		
2010	R0180							13	5			
2011	R0190						49	35				
2012	R0200					88	42					
2013	R0210				101	341						
2014	R0220			268	218							
2015	R0230		1,272	383								
2016	R0240	7,601	936									
2017	R0250	6,058										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	10
	R0170	2
	R0180	6
	R0190	38
	R0200	45
	R0210	368
	R0220	236
	R0230	415
	R0240	1,016
	R0250	6,610
Total	R0260	8,747

S.23.01.01 Own Funds (audited)

£'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					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	35,669	35,669			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	3,309	3,309			
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	38,980	38,980			
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	38,980	38,980			
Total available own funds to meet the MCR	R0510	38,980	38,980			
Total eligible own funds to meet the SCR	R0540	38,980	38,980			
Total eligible own funds to meet the MCR	R0550	38,980	38,980			
SCR	R0580	22,502				
MCR	R0600	5,625				
Ratio of Eligible own funds to SCR	R0620	1.73				
Ratio of Eligible own funds to MCR	R0640	6.93				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	38,980
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	35,671
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	3,309
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 (audited)

£'000's

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	15,749		
Counterparty default risk	R0020	1,323		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	10,746		
Diversification	R0060	-6,035		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	21,783		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	718
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	22,502
Capital add-on already set	R0210	
Solvency capital requirement	R0220	22,502
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	

S.28.01.01 Minimum Capital Requirement (audited)

£'000's

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	2,572

		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	9,865	21,787
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		161
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	2,572
SCR	R0310	22,502
MCR cap	R0320	10,126
MCR floor	R0330	5,625
Combined MCR	R0340	5,625
Absolute floor of the MCR	R0350	3,251
		C0070
Minimum Capital Requirement	R0400	5,625