Solvency and Financial Condition Report

China Taiping Insurance (UK) Co Ltd

Year End 31 December 2019

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Summary

This report has been produced to satisfy the public reporting requirements of China Taiping Insurance (UK) Co Ltd (“the Company”, “CTIUK”) under the Solvency II insurance regulation regime (“Solvency II”, “SII”). The Company is a wholly owned subsidiary of China Taiping Insurance Group (the ‘Group’) who is headquartered in Hong Kong. This report is prepared to demonstrate the Company’s own assets, liabilities and performance. The information contained herein covers the year ending 31 December 2019.

The Company’s business profile remains stable in regards to the types of risk underwritten and its risk profile. In terms of its system of Governance, work was undertaken in the year to strengthen this, but also determined that further work would be desirable and this will be undertaken during 2020.

The Company performance during the 2019 resulted in an underwriting loss of £12.9million and an overall loss for the year of £12.0m. As at 31 December 2019, the Company’s assets stood at £178.2m. The Company benefited from capital injections from the Group to provide support for its future development and strategic growth, as well as to support additional investment into technology and operational efficiency.

(All figures in £'000)	***2019***	***2018***
Balance on the technical account	**(12,866)**	**(5,703)**
Investment returns	2,865	(190)
Exchange (loss)/ gain	(601)	305
Other charges	(3,806)	(1,296)
Loss on ordinary activities before tax	**(14,108)**	**(6,885)**
Tax on profit ordinary activities	2,458	1,550
Loss for the financial year	**(11,950)**	**(5,335)**

As a result, the Company’s capital and solvency positions have strengthened as reflected in its Solvency (SCR) and Minimum (MCR) capital ratios below:

Solvency Capital Ratio: 157.4% (2018 = 129.5%)

Minimum Capital Ratio: 438.9% (2018 = 365.6%)

The Company’s approach to capital management and valuation for the solvency purposes remained unchanged. The capital requirements are calculated in accordance with the Solvency II standard formula, which the Company has decided is appropriate for its risk profile considering the size and nature of the Company’s business.

System of Governance

The governance framework of the Company consisted of a Board of Directors (the ‘Board’), Senior Management, management-level committees and departments or working functions. Risk culture and risk management is incorporated within the governance system and formed the ‘three lines of defence’.

The Board takes the ultimate responsibility for the compliance with laws, regulations and administrative provisions; review and approve risk governance structure and policies;

determine the risk appetite and business strategy; challenge and review the risk identification and assessment; and ensure adequate risk culture adopted in the Company.

Following the departure of the Company's independent non-executive director ("iNED") in October 2019, a decision was taken to increase the number of iNEDs to two to improve the extent of independence and challenge to the executive.

Section B of this report provides further details of the Company's system of governance.

Risk Profile

The Standard Formula ("SF") capital model is used to quantify risks the Company face in the day to day operations. Among all quantified risks, underwriting risk is the most significant to the Company, especially from the property insurance classes since the Company maintains a relatively large portfolio in this area.

The premiums received by the Company are invested in accordance to the Company's investment strategies that are reassessed by the Investment Committee on a quarterly basis. This is to ensure the balance between the return on assets and market risk exposures is managed under sufficient controls and governance.

The type of risk to which the Company is exposed has not changed significantly over the reporting year, apart from the uncertainties around the impacts of the Brexit to the Company's business operations in other European Union countries and the Covid-19 implications.

For those risk types managed through the holding of capital, the Company measures and monitors its risk profile on the basis of the Solvency Capital Requirement ("SCR"). The key risks modelled within the Company's SCR remained credit, market, underwriting, liquidity and operational risks.

Section C of this report further describes the risk to which the Company is exposed and how it measures, monitors, manages and mitigates these risks, including any changes in the year to the Company's risk exposures and specific risk mitigation actions taken.

Valuation for Solvency Purposes

Assets, technical provisions and other liabilities are valued in the Company's Solvency II Balance Sheet according to the Solvency II Directive and related guidance. The principle that underlies the valuation methodology for Solvency II purposes is the amount of which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

At 31 December 2019, the Company's excess of assets over liabilities was £45.95m (2018: £29.70m) on a Solvency II basis which is £1.89m lower than the value under UK GAAP financial statement ("UK GAAP") (2018: £0.05m lower on the Solvency II basis than that under the UK GAAP). The difference is primarily driven by the different basis used to value the Company's technical provisions.

The majority of the Company's assets measured at fair value are based on quoted market information or observable active market data. Where the quoted market information or observable market data is not available, an alternative method of valuation is used.

No material changes were made to the bases used to recognise and value the Company's assets, technical provisions and other liabilities, or to their estimations, during the year.

Section D of this report provides further description of the basis, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities of each material asset and liability class. In addition, it also provides an explanation of the material differences between the UK GAAP and Solvency II bases of valuation

Capital Management

The Company manages Own Funds in conjunction with the SCR. The Company uses the SF approach for calculating its SCR.

There have been no material changes to the objectives, policies or processes of the Company for managing its Own Funds during the year.

On the Solvency II basis, as at 31 December 2019, the total eligible own fund was £45.95m (2018: £29.70m), of which 91.3% (2018: 96.3%) was represented by unrestricted tier 1 capital. The Company's SCR has been calculated at £29.19m (2018: £22.93m) and MCR was £9.55m (2018: £7.82m). The SCR coverage ratio was 157.4% (2018:129.5%).

Section E of this report further describes the objectives, policies and procedures employed by the Company for managing its own funds. The section also covers information on the structure and quality of Own Funds and calculation of SCR, including information about the Company's use of the SF.

The Responsibility Statement

Company:	China Taiping Insurance (UK) Co Ltd
Registration number:	1766035 (England and Wales)
Registered office:	2 Finch Lane，London EC3V 3NA

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report (“SFCR”) in all material respects in accordance with the Prudential Regulation Authority (“PRA”) Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

Approval for this statement

By order of the board

Mr Xiaodong Yu

Director and Chief Executive

2 June 2020

The Company’s financial statements are available from the Company Secretary, Mr. Wei Min Zheng, 2 Finch Lane, London, EC3V 3NA.

The SFCR is presented in pound sterling rounded to the nearest million unless stated otherwise. The Qualitative Reporting Templates (“QRT”) are presented in pound sterling rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

A. Business and performance

A.1 Business Overview

CTIUK, formerly known as China Insurance Company (UK) Co. Ltd, has been registered and domiciled in the United Kingdom (UK) since 1983, and started underwriting on 1 October 1985.

The principal activity of the Company is the insurance and reinsurance of non-life insurance risks in the United Kingdom and selected other European territories. However some business is underwritten on a global basis, but this is subject to comprehensive protection via the reinsurance market. Additionally, the Company continues to write a modest amount of inward reinsurance business (mainly in the Far East), in support of the Group’s interests.

The Company is authorised and regulated in the United Kingdom by the PRA and the Financial Conduct Authority (“FCA”). It has also been a member of the Association of British Insurers (or their predecessors) since becoming authorised to underwrite.

From its original establishment the Company has predominantly focused on underwriting risks for local Chinese businesses / communities and then developed its customer base among the UK and EU small and medium-sized enterprises (“SME”). In recent years, the Company has gradually broadened and diversified in its range of products, geographical operation and increasing size of risks. This latter aspect principally reflects the Company’s involvement in an increasing number of commercial property investment and construction projects that emanate from China’s increasing international business focus and development, via their “one belt one road” initiatives.

The Company operates from an office in Manchester and a branch in Rotterdam in the Netherlands. Both these office and branch provide underwriting service functions to their local markets, with Rotterdam also providing claims handling.

In addition to the Netherlands, the Company utilises the European Union’s (“EU”) Freedom of Services regulations to underwrite business in selected other European territories. These are underwritten either from Rotterdam or London depending on the nature of the business. This position has been impacted by the UK’s withdrawal from the EU (“the Brexit”).

Following the outcome of the Brexit referendum, the Company had hoped to be able to make the Netherlands the centre of its future EU business outside of the UK. Unfortunately, due to the obstacles in obtaining a new license and also the new EU Business Strategy from Taiping Group, the decision was made to put the Rotterdam office into run-off, from late 2019. This impacted the Company’s Dutch business throughout 2019, and will continue to do so in 2020.

The Group will now set up a new EU27 entity in an alternative jurisdiction.

The majority of the Company’s business is transacted via a distribution network of professional insurance intermediaries, that complements our geographical structure. However, in a significant minority of business (c.7%) the Company deals directly with the customer. These are exclusively Chinese community clients.

Within this network of intermediaries, the Company works with a small number of carefully chosen, delegated authority agents. These agents are utilised to underwrite business in niche areas, where their expertise and experience in these areas provides enhanced technical expertise.

The Company is rated by credit rating agency Fitch Ratings. In 2017 the Company was assigned a Financial Strength Rating of "A-" and this has been affirmed in the two subsequent rating reviews, the most recent being in August 2019.

The Company is a subsidiary that 100% owned by the listed company China Taiping Insurance Holding Company Ltd. (HK.0966).

A.2 Underwriting Performance

In 2019, gross premiums written by the Company increased to £86.0m (2018: £78.9m). Net written premiums (after reinsurance) increased to £49.7m from £44.3m in 2018. Further development of an Aviation business that started in 2018 served to offset the reduction of income following the discontinuation of an unprofitable account of the UK household business. The impact of the cessation of writing business in Netherlands due to Brexit has not yet materialised on the premium incomes.

The overall underwriting result was disappointing, particularly so in the following two areas: Firstly, a book of UK Personal Accident business, where despite the implementation of several remedial actions, results have remained underperforming. On the other hand, a notable deterioration of the result in our traditional Traders Combined product for certain SME businesses including a number of run-off accounts. The primary reason is a greater than average number of medium / large losses incurred, both in the UK and the Netherlands. These are predominantly fire claims and reflect the attendant susceptibility of commercial catering risks to this type of loss.

To compound this deterioration, our Property Owners product saw the provision for two large claims reserve increases, leading to an 84% increase in the incurred compared with the preceding year.

Further deterioration in result arose from negative movement on liability claims, incurred on a mobility scooter account and in business written in Republic of Ireland. Many of these claims are being closed when this report is prepared.

The following table provides a summary of our technical underwriting account for the 2019 year, showing comparison with the 2018 year:

Technical Underwriting Result

(All figures in £'000)	***2019***	***2018***
Gross premiums written	86,014	78,897
Outward reinsurance premiums	36,320	(34,551)
Change in the net provision for unearned premiums	(1,733)	(2,664)
Total technical income	**47,960**	**41,681**
Claims incurred	(61,570)	(45,213)
Reinsurers' share of claims incurred	22,962	18,271
Claims incurred, net of reinsurance	**(38,608)**	**(26,942)**
Net operating expenses	(22,218)	(20,442)
Balance on the technical account	**(12,866)**	**(5,703)**

The business continues to be comprehensively reinsured both for Property, Casualty and Motor; thus allowing us to underwrite and target our preferred risk types and sectors; whilst smoothing the impact to our net account of larger losses. However, the Company continues to monitor the developments of the reinsurance recovery issues on the household and surety insurance accounts.

The Company will continue its journey in restricting its business portfolio by ceasing the underwriting on several loss-making accounts and performing remediation activities to rescue a few others who have potentials for improvements.

The largest Solvency II line of business of the Company continues to be the "Fire and other damage to property insurance". This represents 59.2% of the business portfolio in terms of net written premium. The table below shows the business portfolio by Solvency II line of business as at 31 December 2019. (See QRT S.05.01 in Appendix C for further details)

(All figures in £'000)	***2019***		***2018***	
	Net Premium Written	***As % of Total***	***Net Premium Written***	***As % of Total***
Fire and other damage to property insurance	29,423	59.2%	26,352	59.4%
Miscellaneous financial loss	11,356	22.9%	10,216	23.0%
Medical expense insurance	4,597	9.3%	4,728	10.7%
General liability insurance	3,589	7.2%	2,383	5.4%
Credit and suretyship insurance	262	0.5%	262	0.6%
Other motor insurance	467	0.9%	405	0.9%
Total	**49,694**	**100.0%**	**44,346**	**100.0%**

A.3 Investment Performance

The Company recorded a net investment return of £2.9m (2018: net investment loss of £0.2m). The investment return/ loss is a net result of an unrealised profit or loss on fixed income securities and an investment income from the fixed income products.

The Company uses professional investment managers to manage its investment portfolio. Where possible, foreign exchange risk is minimised by matching the currencies of investments to those of the technical liabilities. This principle is set out in the investment strategy.

The Company had no investment in securities in the financial year ending 31 December 2019.

(All figures in £'000)	***2019***	***2018***
Investment income	1,838	1,331
Realised (loss)/ gains on investments	535	363
Unrealised (loss)/ gains on investments	659	(1,712)
Investment management expenses	(167)	(172)
Net investment returns	**2,865**	**(190)**

A.4 Performance of other activities

There is an exchange rate loss of £0.6m (2018: Exchange gain of £0.3m) arose from assets held in US Dollar and Hong Kong Dollar. Other charges include expenses allocated to non-underwriting activities of £3.8m (2018: £1.3m).

A.5 Any other information

A.5.1 Covid-19 impacts

In January 2020, a newly identified infectious disease named "Covid-19" had a global outbreak. This pandemic disease widely spread in the UK in early 2020. All the pubs and restaurants were ordered to close to business on 20 March by the UK government in an attempt to slow down the transmission of the disease among the general public.

As the Company does not underwrite event cancellation or travel insurance, the impact of Covid-19 on CTIUK's underwriting performance comes mainly from the Business Interruption (BI) covers offered as part of the package policies issued to the Company's SME clients. However, most of the Company's policy contracts have explicit exclusions on BI claims caused by notifiable diseases. Based on the current advices received from the Company's legal counsel, the CTIUK's exposure to the BI claims is believed to be limited at the time this report is prepared.

Due to the post-valuation date nature of this event, the above impact has not been included in the Company's 2019 year-end financial results. However, the Company plans to make adjustments to the Solvency II technical provisions at the end of the first quarter 2020 in correspondence to the Covid-19 related claims.

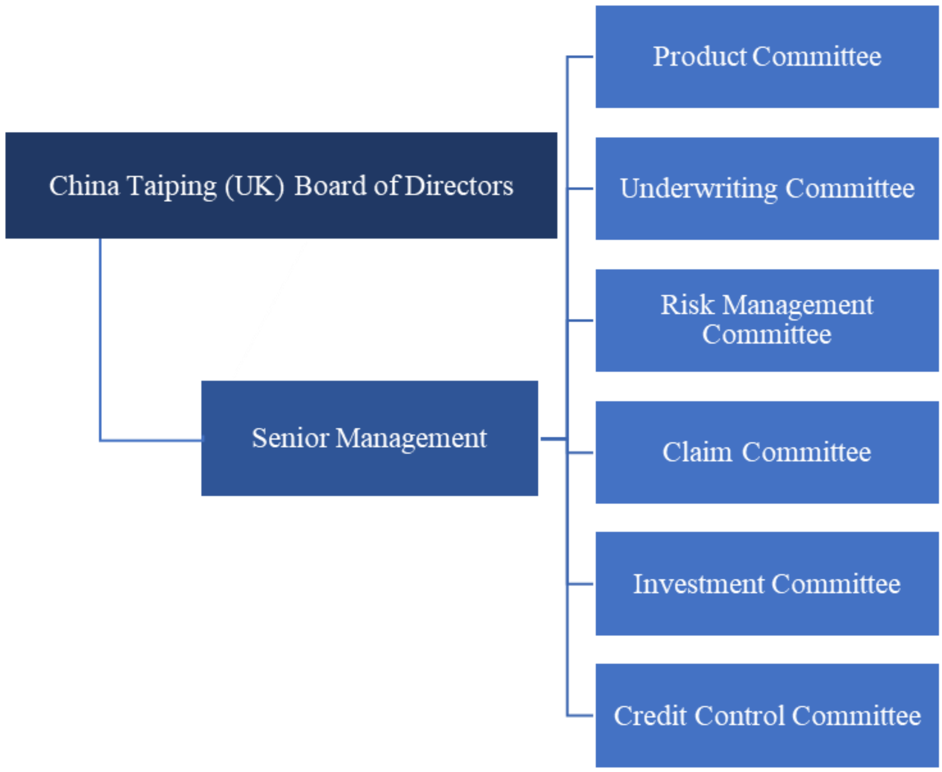
B. System of Governance

Information in this section relates to the system of governance for the year ending 31 December 2019. A new governance structure has been adopted with effect from 1 January 2020. Further details are provided in section B.8.3.

B.1 General Information on the system of governance

B.1.1 The Company's governance structure

The Company's governance structure for the year ending 31 December 2019 is shown below.



B.1.2 Roles and responsibilities

Board of Directors

The Board has an overall responsibility for the oversight of the management of the Company. Its objectives include setting the strategic aims, monitoring management's performance against those aims, setting risk appetite and ensuring that effective controls are in place. Any major changes to the Company's business activities must be approved by the Board before implementation. The Board meets at least quarterly. Minutes of all Board meetings are recorded and reflect the substance of the discussion as well as the decisions made.

The Board comprises non-executive chairman, non-executive directors, independent non-executive directors and executive directors. Duties of individual director include:

- To act within their powers
- To promote the success of the Company
- Duty to exercise independent judgement

- Duty to exercise reasonable care, skill and diligence
- Duty to avoid conflicts of interest
- Duty not to accept benefits from third parties
- Duty to declare interests in a proposed or existing transaction or arrangement with the Company

In order to provide effective oversight for certain aspects of governance, the Board has plans to establish Board sub-committees to carry out the governance on specific aspects after both iNEDs are approved by the PRA. The membership of these committees shall be set and approved by the Board to ensure that members have the appropriate skills to oversee these activities on its behalf.

Currently all authority flows from the Board but can be delegated to the Senior Management or the management-level committees. Responsibilities are set out in the respective terms of reference.

Senior Management and management-level committees

The Senior Management is in charge of the company's daily operations and is supported by the following management-level committees over the reporting period:

- The Product Committee meets before the launch of any new products to implement the product approval process that involves identifying the target market, product testing and finally selection of distribution channels. The committee is responsible for the designing, monitoring, reviewing, and distributing the Company's insurance products, which also includes corrective actions for insurance products that are detrimental to customers.
- The Underwriting Committee meets quarterly and when significant decisions are to be made to ensure that the underwriting strategy, processes and standards support the Company's current and future plans. The Underwriting Committee provides oversight and reviews underwriting activities.
- The Claims Committee meets every two months and when in need to set internal rules or guidance relating to the work within claims departments and to discuss specific claim cases.
- The Investment Committee meets every month to ensure that the annual budget and investment strategies are executed with precision. It develops and maintains a robust investment management methodology which ensures the Company's investment portfolio is managed according to the Board's requirements.
- The Credit Control Committee meets three times a year and when required. It is responsible for monitoring the Company's credit risk management by systematically managing receivable accounts and assessing material credit risk related decisions.
- The Risk Management Committee meets quarterly and when required. The Board exercises its authority to review and approve the Company's risk management strategy, overall risk principle and risk appetite for each year. The compliance and risk management practices, plans, and the monitoring of risk measures are reported to the Risk Management Committee at each quarter end.

Key Functions

the Company has the following Solvency II key functions:

- Risk Function (section B.3).
- Compliance Function (section B.4).
- Internal Audit (section B.5).
- Actuarial Function (section B.6).

B.1.3 Material changes to governance over reporting period

The Company's previous iNED resigned in October 2019. After his resignation the Company has made a decision to further enhance the non-executive presence on the Board by increasing the number of iNED to two. By the time this report is produced, both new iNED have accepted their appointments. One of their appointments has been approved by the PRA in early 2020 with the other one still pending.

Changes to governance came in effect after the reporting date are described in section B.8.3.

Overall, the Company has a carefully designed risk appetite and this is reflected in its business operations. The Company review its risk appetite annually, adjusting by type of risk and setting target value for risk-specific indicators in lights of economic cycle and market prospects.

B.1.4 Remuneration policy

The remuneration system of the Company applies to all its employees. The policy and the Company's general incentive structure reflect the company's objectives for good corporate governance as well as sustained and long-term value creation in general. In addition, it ensures the Company can:

- Attract, develop and retain high-performing and motivated employees in a competitive market;
- Offer employees an appropriate remuneration package;
- Ensure employees feel encouraged to create sustainable results and there is alignment of interests among all relevant parties.

At the annual performance appraisal, the individual employees and managers evaluate and document performance in the past year and set new goals. Decisions on any adjustments of the employee's fixed salary or on annual performance-based bonus are made on the basis of this appraisal and the Company's financial performance.

B.1.5 Material transactions

There are no material transactions with the shareholder, persons with significant influence on the Company and members of the Board during the reporting period.

B.2 Fit and Proper requirements

The Company has in place a Fit and Proper (F&P) policy, which aligns with the Senior Managers and Certification Regime ('SMCR'), the professional values and long term interest of the Company.

These policies and procedure ensure that persons who effectively run the Company, or have responsibility for key functions, are fit and proper to do so.

Individuals holding the Senior Management Functions ('SMF') are required to receive prior approvals from the PRA and FCA before they are appointed to perform their roles. Appointments are subject to background, criminal record checks and credit checks.

An individual's fitness to perform their role refers to their competence and capability including skills, knowledge and expertise applicable. Assessments of fitness are tailored to the role, including knowledge and understanding of:

- The markets in which they operate (i.e. insurance or financial services);
- Business strategy and business model;
- System of governance;
- Financial and, where relevant, actuarial analysis;
- Regulatory framework and requirements.

A list of SMF holders as at 31 December 2019 is provided below.

NAME	APPROVAL	POSITION
MR. BO HONG	**SMF9**	**CHAIRMAN**
Mr. Xiaodong Yu	SMF1	Chief Executive Function
Mr. Graham A Kerr	SMF3	Executive Director
Mr. Jimmy Yan	SMF23	Chief Underwriting Officer Function
Mr. Wei Min Zheng	SMF20	Chief Actuary Function
Mr. Jun Dong	SMF24	Chief Operation Function
Mr. Chun Wing Law	SMF2	Chief Finance Function
Mr. Kon Fah Chong	SMF16 SMF17	Compliance Oversight Money Laundering Reporting

All the current SMF holders were assessed by the head office and the Board of directors of the Company before any appointment. Before embarking on any key appointment and oversight, the Company ensures the potential candidate meets all the requirements. This is paramount when the individual is applying to the PRA / FCA for an approved function.

The Company expect individuals to remain competent for the positions they hold. In view of the implementation of the SMCR on the 10 December 2018, more emphasis was placed on Senior Manager Conduct Rules. Hence, the Company organised training and seminar to ensure all senior managers are aware of SMCR changes. Failure to comply with the SMCR, where they are relevant, would raise questions about the person's continuing fitness and would have to be reviewed by the Board and by the FCA / PRA.

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

B.3.1 Risk Management Function role and responsibilities

The Risk Management Function is responsible for:

- Contributing to the strategy and management of the company via membership of the Executive team;
- Responsibility for the overall management of the risk management system and the risk and compliance practices;
- Ensuring the Company activities comply with current legislation and regulations.

- Coordinating the ORSA processes and report;
- Promoting good and active working relationships with the PRA and FCA.

Risk Management function provides the management of the Company with risk management system that supports the identification, measurement, monitoring, management and reporting of risks on a continuous basis.

B.3.2 Risk Management Framework

The Board of the Company is ultimately responsible for ensuring the effectiveness of the risk management system, setting the Company's risk appetite and overall risk tolerance limits, as well as approving the risk management strategies and policies. It also ensures that strategic decisions are appropriate for the Company's structure, size and the specificities of its operations. Furthermore, it ensures that an integrated, consistent and efficient risk management of company is in place.

The risk appetite of the Company focuses on adequate capitalisation and profitable business growth. The Company has composed both qualitative and quantitative risk appetite statements and measures based on the experience, study and assessments of the risks the Company may face according to its business development strategies.

The risk management system includes the five processes: Identification, Measurement, Management, Monitoring and Reporting.

A monitoring system is in place to ensure all risk measures (appetite, tolerance and limits) are assigned to specific responsible functions or departments. Monitoring outputs are reported to the Risk Management Function, Risk Management Committee, and finally the Board, as part of a quarterly risk management report. The risk appetite framework is continuously being updated and improved. The Board reviews and approves the risk appetites, risk tolerances and risk limits once a year.

Similar to most conventional general insurers, the top three risk of the Company are underwriting risk, market risk and credit risk.

To appropriately manage underwriting risk, the Company has established comprehensive underwriting guides. These include underwriting authorities' for each member of the business teams for all lines of business. Any newly proposed business with significant underwriting risks are subject to internal approval processes and will be reviewed by the Underwriting Committee. Reinsurance protection is arranged in line with the reinsurance risk appetite.

Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. At no time will the safety of the portfolio's principal be impaired or jeopardised. Investment assets are managed by external asset management companies, the investment policy and guidelines are reviewed by the Investment Committee quarterly and authorised by the Board annually. Meetings between the Investment Committee and asset management companies are held regularly to ensure the investment performance and investment risk management practices (including the prudent person principle), is in line with the Company's requirements.

Credit risk is the risk of default and change in the credit quality of issuers of securities, counterparties and intermediaries, to whom the Company has an exposure. The security credit risk is managed by a number of investment restrictions and clear investment guidelines issued to the asset management companies. These provide the parameters asset managers can work within whilst managing the Company's investment portfolio and the Credit Control Committee continuously oversees relevant issues. For reinsurer counterparty risk, with support from the reinsurance function, a reinsurance management guideline and adherence to the Group's reinsurance management guideline help to manage reinsurers' counterparty risk.

Own Risk and Solvency Assessment (ORSA)

The ORSA enables the Company's senior management to make business decisions relating to medium term capital management and business planning.

The ORSA process is interlinked to the risk management system which ensures the identification, measurement, management, monitoring and reporting of all material risks.

The ORSA process below identifies the key activities in the Company.

The ORSA is a continuous process and includes:

- Review of business strategies with respect to risk profile and assessment;
- Identification of risks to meet business objectives and plan;
- Review risk profile against risk appetite framework;
- Consideration of appropriate stress and scenarios test to be applied to each risk area;
- Where the risk is identified, the risk mitigation methods would be considered;
- Analyse the impact of business profile and external environment changes on the level of solvency and economic capital at any point;
- Forward looking and considers risks, solvency and capital management over a three-year horizon;
- The final business plan and standard model results will be considered to determine the required regulatory capital under the Solvency II regime;
- When the above process has been completed, the Board will be asked to approve the ORSA and business plan. If the Board does not approve the ORSA, the cycle returns to the beginning to address the shortfalls where necessary;

- Once the ORSA and business plan are approved, the report is circulated to the regulator or internally with the Group.

B.4 Internal control system

B.4.1 Internal Controls Framework

The Company has an internal controls framework designed to provide assurance that business objectives, including good customer outcomes and compliance with regulations, are met.

The internal control framework is integrated into the Company's risk management framework and embedded into the three lines of defence model, as per diagram below.

The three lines of defence model (section B.3.2) is used within the controls framework as follows:

- The first line develops controls and performs a control self-assessment;
- The Risk Management Function sits within the Actuarial and Risk Management (ARM) department and provides a second line of defence by:
  - Coordinating control related activities and implementing the controls framework;
  - Supporting the first line in developing their controls and providing oversight of first line controls self-assessment;
  - Managing the second line review of controls and performing gap analyses of all controls against regulatory frameworks;
  - Maintaining logs of controls development and analysing control effectiveness;
- Internal Audit is accountable for providing independent assurance on the adequacy and effectiveness of risk management and control.

B.4.2 Compliance Function

The Company has a Compliance Function responsible for:

- Ensuring compliance with the Conduct Standards and individual/senior manager rules as set out by the PRA and FCA under the Individual Accountability Regime (to December 2018) and Senior Managers & Conduct Regime – Management Responsibilities Map (MRM) from December 2018;
- Providing second line opinion and advice with respect to compliance, including adherence to the FCA regulations;
- Promoting good and active working relationships with the FCA.

B.5 Internal audit function

Due to the size of the Company, the internal audit function is outsourced to an independent company, China Taiping Insurance Group Ltd., Audit Centre.

Current activities of the internal audit function

- To provide an independent assurance service to the Board and management on reviewing the effectiveness of the governance, risk management and control processes that management has put into place;
- To provide advice to management on governance risks and controls, for example, the controls that will be needed when the Company has new business ventures.

Internal audit plays an important assurance role in the Company's governance processes, e.g. risk management and control. Hence, the expectations placed upon internal audit have increased both in the requirement for increased technical skills e.g. cyber risk controls and the function is being relied upon to make a significant contribution.

The internal audit function exercises all the responsibilities and the audit plan defined in liaison with the Board by providing independence in:

- Assurance on the effectiveness of the governance and risk management processes;
- Support the development and maintenance of governance and risk management processes;
- Challenge the board's assessment of risk and the controls in place to manage the identified risks; and
- Evaluate and test the effectiveness of controls in place to manage the identified risks.

B.6 Actuarial function

The key responsibility of the actuarial function under the Solvency II framework is to ensure the appropriate level of technical provisions and actuarial opinion to enable management to make an informed decision. The Company has an actuarial team within the ARM department and additional support received from the Group (where appropriate). The Company's actuarial function holder (SMF 20) is an internal senior member of the Company and is responsible for the production and the signing of the actuarial function report.

B.7 Outsourcing

Outsourcing is defined as an agreement between a company and another party, the Company outsources and enters into outsourcing arrangement only where there is a sound commercial basis for doing so. Some ongoing outsourcing arrangements are in place to cover:

- Use of intermediaries as a means for the distribution of certain niche products; and dedicated Loss Adjusters to handle claims on specific accounts. All such arrangements are governed by discrete agreement between ourselves and the intermediary or loss adjuster;
- IT services and maintenance of business database. These are outsourced to a sister company within the China Taiping Group that located in China with a formal management policy in place;
- Internal audit function as previously mentioned in Section B.5.

Processes are in place to actively monitor and manage risks related to these outsourced functions.

There are irregular outsourcing arrangements taking place on a project basis too, for example a Brexit Strategy Review was performed in late 2019 with the assistance from an external consulting firm. The selection process of service providers/vendors is governed by the Company's Purchase Policy, which is reviewed and approved by the Management on an annual basis.

B. 8 Any other Information

B.8.1 Board Diversity Policy

The PRA require the Board to ensure diversity in the Board recruitment processes and to implement a policy promoting diversity within the Board.

Throughout the process of appointment of Board members, due regard is given to ensuring fairness and diversity through consideration of skills, experiences and competencies. The recruitment process complies with HR recruitment processes and the Diversity, Respect and Inclusion Policy.

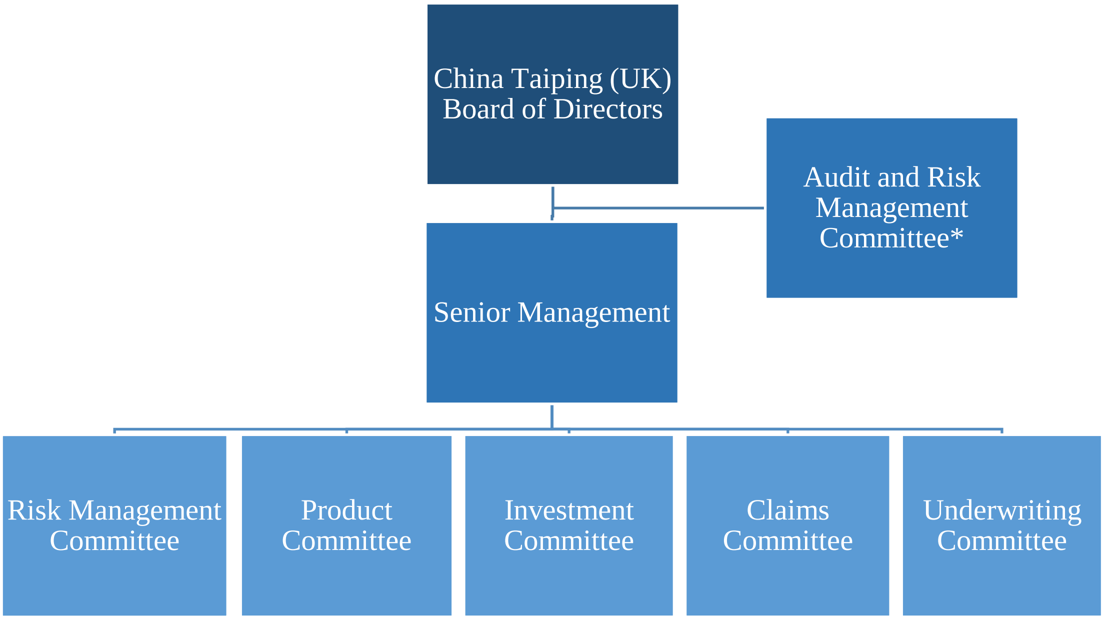
B.8.2 Senior Manager & Certification Regime

The Company has complied with the SMCR since its date of implementation of 10 December 2018 and registration of the Certified Regime with FCA completed in December 2019.

B.8.3 Governance changes after the reporting period

A review of governance was undertaken in 2019 after the incoming of a new CEO and an improved governance structure will be implemented with effective from January 2020 subject to the Board's approval, which aims to strengthen the processes and improve outcomes for investors and customers.

The proposed governance structure that will come in effect in 2020 is shown below.



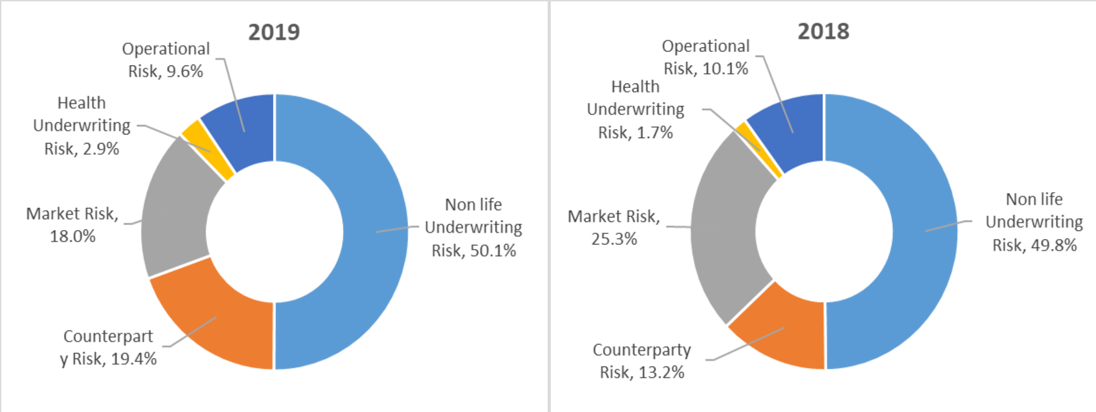
*Subject to the regulator’s approval of the second iNED

The Company’s system of governance is constantly being reassessed having regards to the nature, scale and complexity of the risks inherent in the business. Changes will continuously be made to governance going forwards where appropriate.

All material information regarding the Company’s system of governance has been disclosed in sections B.1 to B.7 above.

C. Risk Profile

The risk profile below describes the key drivers of the Company's SCR. There are no structural changes in the Company's risk profile over the reporting period.



The assessments above used the Company's standard formula results as at 31 December 2019 and 2018 respectively.

Movements in the Company's risk profile during the reporting year reflects the following activities of the Company:

- Non-life underwriting risk – the proportion of non-life underwriting risk has changed marginally from 49.8% to 50.1% despite an increase in its actual SCR amount. This is discussed further in section E.2 below;
- Market risk – the proportion of market risk has reduced for another year as the Company continued to pursue a more conservative investment strategy during the reporting period;
- Counterparty risk – the counterparty default risk has increased along with the business growth and larger receivables, cash deposits and reinsurance recoverables observed;
- Health Underwriting risk – as mentioned in section A.2, the Company business in a Personal Accident insurance account continued to grow during the reporting period;
- Operational risk – grew in line with the scale of business increased.

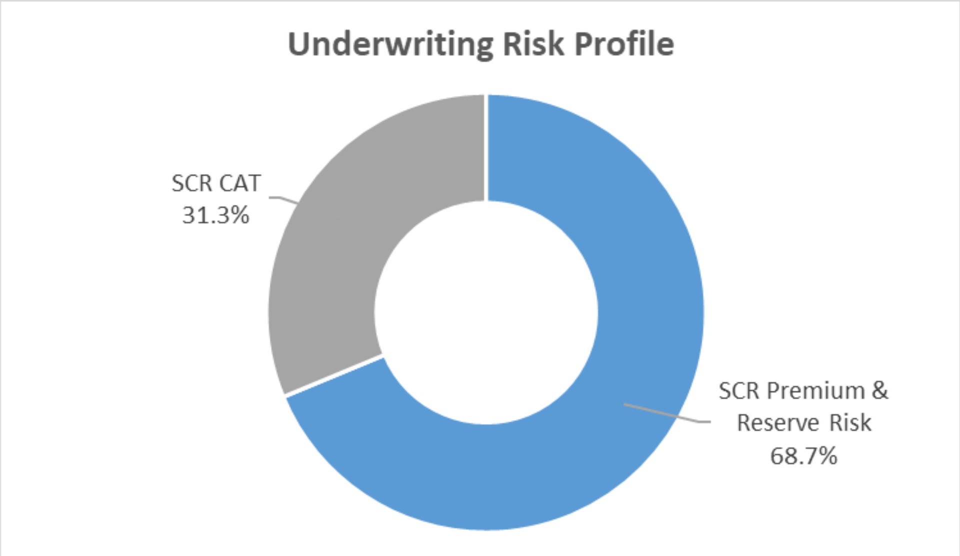
C.1 Underwriting risk

Underwriting risk refers to the deviations of underwriting results (profit/loss) from the targets, resulting from fluctuations in the timing and amount of insurance liabilities and premiums.

The underwriting risk component of the SCR contains the following three sub-modules:

- Premium and reserve risk sub-module;
- Lapse risk sub-module;
- Catastrophe risk sub-module.

The proportions of these three sub-modules within the underwriting risk SCR are shown below:



The Underwriting Committee is responsible for setting the underwriting performance targets. The premium and reserves risk is one of the biggest drivers of the Company's SCR. The Company is exposed to large losses on the property accounts that provide packaged insurance covers to SME and commercial property policyholders in the UK and Netherlands. As part of the bundle products, the Company is also exposed to long-tail claims from the general liability elements of the policies written in these accounts. Company constantly review and actively manage the performance of its renewal book. However, the underwriting results of the new business introduced either directly by brokers or through delegated authorities are usually more volatile. The Company manages its exposure to general insurance risk through underwriting control frameworks that include:

- Underwriting guidelines are provided to delegated authorities to bound their activities;
- Delegated authorities and external loss adjusters are subject to regular audits performed by CTIUK's Underwriting and Claims Department respectively;
- Claims reserving undertaken by local actuaries is subject to periodical external reviews;
- Monthly KPI report; and
- Product limits and exclusions.

In addition, the Company reviews its reinsurance programme and retention levels on constant basis to ensure sufficient reinsurance protections is in place to mitigate the premium and reserve risk.

The Company is mainly exposed to the UK storm risk within its Catastrophe risk sub-module. The catastrophe reinsurance arrangements are reviewed at least annually to assess the effectiveness of the catastrophe cover using the Standard Formula catastrophe risk results and catastrophe models from reinsurance brokers.

Following an external review performed by a third-party actuarial consultant on CTIUK's 2018 year-end Solvency II accounts, the Company has implemented a model change to the calculation of the Lapse Risk, the output is now reduced to zero for year-end 2019. There are no other material changes to the measures used to assess underwriting risk during the reporting period.

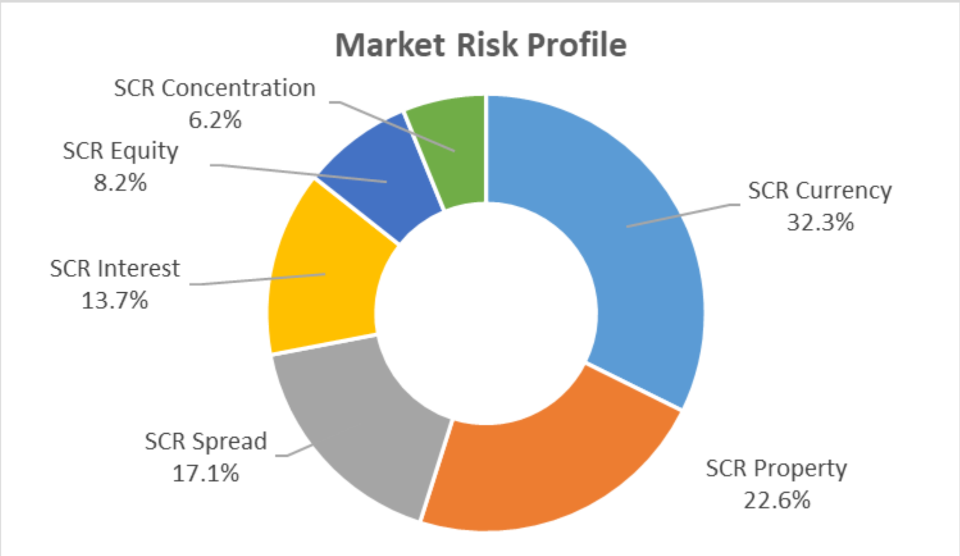
The primary technique used to mitigate underwriting risk is reinsurance as described above. The management of insurance risk is overseen by the Board. The Company has not transferred any underwriting risk to special purpose vehicles.

The Company models certain stresses and scenarios in the ORSA, including the impact of the Covid-19 described in section A.5.1, other claims deterioration, off-budget premium growth and reduced reinsurance risk mitigation caused by inefficient utilisation of the reinsurance programme. Under most of the scenario tests and some of the stress tests, the Company could stay in compliance with the SCR. However, in the most stressed but unlikely case, if CTIUK admitted liable to all the business interruption claims it potentially exposed to despite the exclusions in the policy wordings, this could reduce the Company's SCR coverage ratio below 100%.

C.2 Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting from fluctuations in the level and volatility of market prices of assets and liabilities.

The composition of the Company's market risk profile is shown below.



The Company's market risk arises from the movements in the value of investment assets held by the Company such as equity, interest rate products, property and foreign exchanges. The Company follows a relatively conservative investment strategy. These are in line with the Group Assets management guidelines. Investment performance is reviewed constantly against the Company's targets and risk appetite.

The Company invests in different investment assets based on the investment guidelines. The Company does not have any financial derivatives during the reporting year.

The Company manages the market risk locally to stay in line with both the UK regulatory constraints and the Group's investment policy.

Based on the Standard Formula results, currency risk has become the most significant risk sub-modules, consist of almost a third of the Company's market risk SCR, before diversification.

These are followed by spread risk and interest risk. Equity risk has fallen dramatically reflecting the Company's de-risking investment strategy.

The Company holds financial instruments denominated in currencies other than Sterling of the measurement currency. This is therefore exposed to currency risk as the value of these financial instruments will fluctuate due to changes in foreign exchange rates. With regards to the general insurance business, the Company has a branch in Netherlands which is dominated in Euro. Decreases in other market risk components also contributed to the increase in this currency risk's proportion.

There are no material changes to the measures used to assess market risk during the reporting period. The standard formula capital model is used to assess the market risk and material changes. The market risk is divided into several sub-modules including interest rate risk, equity risk, property risk, spread risk, currency risk and concentration risk.

The Company carries out stress and scenario tests as part of its ORSA which includes testing of decreases in investment valuations. For example, a 10% decrease in the value of the investment portfolio would decrease the SCR coverage ratio to 131.9%.

C.3 Credit risk

Credit risk occurs where a counterparty fail to pay the amounts they owe to the Company by full when they fall due or a financial loss from fluctuations in the credit rating of debtors or security issuers. The most significant credit risk arose from the Company's exposure to defaults of investment and reinsurers' counterparties. However, the credit risk is relatively low comparing to underwriting risk and market risk within the overall SCR. The Company monitors its counterparties' credit rating and payment period on a regular basis, and its investments are managed by the professional assets management companies. As soon as a downgrading is notified in a counterparty's credit rating, immediate actions will be taken in accordance to the Company's Investment Policy and Reinsurance Policy.

The Company holds Debt securities and Cash at banks. The overall credit quality of the Company's financial investment is deemed strong. As at 31 December 2019, the total investment assets rated as A or above are £66.901m (2018: £39.33m).

There has been no material change to the measures used to assess credit risk during the reporting period.

The Company carries out stress and scenario tests in the ORSA on credit risk. The stress test on credit risk was based on a 20% recoverability from reinsurers as a result of a group of reinsurers failing simultaneously. This would decrease the SCR coverage ratio to 126.9%

C.4 Liquidity risk

The primary liquidity risk of the Company arose from its obligation to pay claims to policy holders as they fall due. The liquidity risk of the Company is low as the investment portfolio is made up of liquid investment assets, i.e. they are readily tradeable at any time. In term of liabilities, majority of the Company's claims are short-tailed. The average duration of the Company's insurance liability is less than one year.

Source of liquidity:

- Operating cash flow: premium cash flow in excess of claim cash flow
- Cash in Bank: extra cash is held in banks as buffer for extraordinary payment
- Time Deposit: less than 5.0% of total assets
- Securities: All Listed
  - Duration: around 4+/-2 years
  - Majority of the investments are held for trading and available for sale at any time

There has been no material change to the measures used to assess liquidity risk during the reporting period.

The Company avoids concentration of liquidity risk by spreading its investments in wide ranges of issuers, asset classes and sectors. The Company's investment strategy ensures that it has sufficient liquid funds to meet its expected obligations as they fall due.

The Company manages its liquidity risk by considering the liquidity impact before accepting new risks and managing its existing liquidity profile by:

- Monitoring the projected short-term cash flow balances;
- Defining trigger levels that enable actions to be taken before those liquidity tolerances are breached; and
- Setting up liquidity risk appetites which require sufficient liquid resources to be maintained to cover net outflows.

The Company runs stress tests in the ORSA to estimate the impact of a major catastrophe event that leads to a sudden demand for cash. Short-term and long-term current ratios are periodically measured and the results indicated that the liquidity would be sufficient in the scenario of unusual increases of policy surrenders.

C.5 Operational risk

The Company's exposure to operational risk arose from direct or indirect losses, caused by inadequate or failed internal processes, people and systems. This also covers external events such as changes in the regulatory environment. The Company has a limited appetite for operational risk and aims to reduce these risks as much as commercially viable.

The Company operational risk is calculated using Standard Formula which links directly to the size of the Company's GWP. The operational risk has increased significantly with the rapid growth of the Company's business volume in recent years.

QRT S.25.01 of Appendix C shows that the Company's undiversified SCR for operational risk is £2.80m (2018: £2.33m).

There have been no material changes, during the year, to the Company's exposure to operational risk.

In order to manage and control operational risk, the Company has identified business critical functions and has exit and terminations plan and business continuity plan for the events such as supplier failure. The Company's three lines of defence also monitor the effectiveness of the controls that are in place against operational risk. Further details of the three lines of defence are included in section B.1, including the specific roles and responsibilities of these functions. Operational risk is overseen by the Board.

C.6 Other material risks

The company considers that there are other, non-financial risks involved in business operations and for which we have set up specific tolerable levels. These are considered to be the follows:

C.6.1 Legal Risks

The Company has zero tolerance for action, or lack of action, which are inconsistent with any law or regulatory requirements in all areas that the Company operates.

C.6.2 Reputational Risk

The Company has no appetite for any actual or potential failure in providing quality service to our customers. This is demonstrated by no tolerance for adverse media reporting or news. The volume of customer complaints received by the Company is also monitored. The Company keeps all the complaints logged and reports half yearly to the regulator.

C.7 Any other information

C.7.1 Climate change

The Bank of England has identified two key risks relating to climate change:

- Physical risks such as extreme weather events, temporary disruption of many supply chains due to natural events, etc.;
- Transition risks related to adjustments towards a low-carbon economy. Factors such as:
    - Climate related developments in policy and regulation;
    - The emergence of disruptive technology or business models;
    - Shifting sentiment and societal preferences; and
    - Evolving evidence, framework and legal interpretations.

The Company's response:

- The Company has been addressing / mitigating the increasing exposure to the physical risks of climate change by significantly increasing the amount of Catastrophe reinsurance protection cover purchased; and continuing to diversify its portfolio of products to reduce the adverse impact of extreme weather events on the overall portfolio. For the domestic property account in the UK, the Company is a member of Flood Re to provide relief on potential flood losses;
- the Company continues to monitor climate related legal and regulatory developments both at a national and international level. The Company is steadily reducing reliance on paper documentation wherever possible both in terms of the delivery or products and services to customers and for retention of records, thus reducing consumption and storage requirements;

- The Company is also reducing its reliance on business travel both nationally and internationally, and have upgraded our video conference facilities to facilitate this move.

C.7.2 Brexit

Currently, the Company underwrites business in the United Kingdom and Netherlands via branch structures, and additionally in Republic of Ireland, Denmark and Italy via delegated authority arrangements.

Post Brexit, the Company is running off its Branch operation in Netherlands and the Group will set up a separate EU27 subsidiary under their control, rather than as part of the Company.

As a result, the Company has made an application to undertake a FSMA Part VII portfolio transfer of its non UK business to the new Group entity. This application has been accepted by the UK regulators under the Savings Provision, and the transfer is expected to take place in 2021, once the new entity is authorised and licensed to underwrite business.

The amount of the existing portfolio affected by Brexit (i.e. outside of UK) accounts for c.23% of the Company's total gross written premium in 2019.

C.7.3 Prudent Person Principle

The Company ensures that its assets are invested in accordance with the prudent person principle as set out in Article 132 of the Solvency II Directive (Directive 2009/138/EC) through a collective application of its risk policies and business standards. These ensure that the Company invests in assets whose risks it can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs having regards to the term and nature of its liabilities.

The Board is responsible for setting the overall investment risk appetite for the Company which is articulated through the risk parameters contained in the Investment Risk Policy. The Board approves the expected investment return as part of the annual operating plan process and monitors investment performance against the plan.

The Investment Committee is responsible for setting investment strategy and asset allocation within the Board approved risk parameters contained within the Investment Risk Policy. The Investment Committee reviews and monitors the key risk indicators for the investments including performance against targets, value at risk, counterparty exposures, overall credit rating exposures and liquidity levels.

D. Valuation for Solvency Purposes

D.1 Assets

The following table summarises the assets value between Statutory and Solvency II basis as at 31 December 2019.

(All figures in £'000)	***Solvency-II***	***UK GAAP***	***Valuation difference***
Property	9,700	5,414	*4,286*
Equities - listed	1,625	1,625	*0*
Bonds - government bonds and corporate bonds	50,511	50,511	*0*
Collective Investments Undertakings	2,568	2,568	*0*
Deposits other than cash equivalents	22,299	22,299	*0*
Cash and cash equivalents	6,048	6,048	*0*
Reinsurance recoverables	38,100	42,776	*(4,676)*
Insurance and intermediaries receivables	19,567	21,155	*(1,588)*
Reinsurance receivables	6,761	6,761	*0*
Receivables (trade, not insurance)	2,649	2,649	*0*
Deferred tax assets	4,017	3,745	*272*
Deferred acquisition costs	0	7,240	*(7,240)*
Others	704	705	*(0)*
Total assets	**164,549**	**173,495**	***(8,946)***

Assets have been valued according to the requirements of the Solvency II Directive and related guidance. The basis of the Solvency II valuation principle is the amount for which they could be exchanged between knowledgeable willing parties at an arm's length. A description of the basis of valuation under Solvency II along with valuation differences between Solvency II bases and the UK GAAP financial statements are provided below.

Property

Under UK GAAP, property asset is valued at cost less depreciation. Under Solvency II, property asset is valued at the market value.

Reinsurance recoverables

Under UK GAAP, reinsurance recoverables represent the amount of claims provisions and unearned premium liabilities that are ceded to reinsurers. Under Solvency II, the unearned premium is derecognised and a best estimate of reinsurance liabilities has been calculated, and discounted at the risk free rate. There is a difference of £4.68m between the Solvency II and UK GAAP valuation on this item. A small amount (£0.47m) within this difference arose from the different grouping methods applied between the statutory accounts and the statutory value listed in the above table.

Insurance and intermediaries receivables

This represents amounts due from debtors as at 31 December 2019. The difference between Solvency II and UK GAAP is due to insurance future premiums from instalment policies that have been included in technical provisions under the Solvency II basis. The receivables are valued at net amount of any provision allowed for bad debts as at 31 December 2019.

Deferred tax asset/ liability

Under Solvency II deferred tax is adjusted for the tax effect of the measurement's differences between the UK GAAP and Solvency II. As at 31 December 2019, the Company assessed and recorded deferred tax assets.

Deferred acquisition costs

Deferred acquisition costs of £7.24m are excluded from the valuation of assets for Solvency II basis. The associated cash flows are included in the valuation of Solvency II Technical Provisions.

D.2 Technical Provisions

D.2.1 Overall Technical Provisions

(All figures in £'000)	***Solvency-II***	***UK GAAP***	***Valuation difference***
Best Estimate	88,751	98,927	*(6,886)*
Risk margin	3,291		
Total technical provisions	**92,042**	**98,927**	***(6,886)***

The Solvency II technical provision (TP) has been calculated on a cash flow basis. The technical provision contains the best estimate of liabilities and risk margin.

The best estimate liabilities reflect a realistic estimate of future claims based on past experience, which consists of claim provisions and premium provisions. The claim provisions are calculated based on a combination of traditional actuarial techniques, such as the Chain Ladder and the BF methods, and discounted using the risk free rate. The premium provisions are calculated as the present value of expected cash flows in relation to future claims.

A risk margin has been added to the TP to ensure that the value of the TP is equivalent to the amount that is expected to be paid to a third party in order to take over and meet the insurance obligations, in addition to the best estimate. Thus the risk margin is calculated to be equal to the cost of capital required to cover the insurance liabilities as if the business is in run off. In practice, the risk margin is calculated as the present value of 6% of the Company's future SCR in accordance to the EIOPA guideline.

A simplification has been applied to the estimate of the undiscounted future SCR. Method 2 from EIOPA's Guideline 61 "Guidelines on the valuation of technical provisions" has been adopted. As vast majority of the Company's SCR is from reserve risk as the Company runs off, the future SCR is assumed to decrease in line with technical provisions.

The starting point of the TP calculation is the liability estimates under the UK GAAP with the following adjustments being made:

- Binary events – also known as "Event not in data". As the technical provisions under UK GAAP reflects the best estimation of claim liabilities, which is derived based on the historical data. Therefore, an additional provision needs to be added on the Solvency II basis to cover potential future losses that has not been observed in the past, as Solvency II request the provision to cover all possible outcomes.
- Profit from unexpired risk – under Solvency II, the technical provisions are required to reflect the "Fair Value" of the business. Therefore, the profit from unexpired risks, that is the expected profit in relation to the premiums written but not yet earned, should be recognised. The Company has estimated the claims that will be payable on unexpired risks based on the expected ultimate loss ratios and the reinsurance shares of these claims. The net balance will then be deducted from the unearned premiums to calculate the profit from unexpired risk.
- Expenses – technical provisions under UK GAAP cover expenses relate to claims only, whereas the expenses under Solvency II have a broader definition and cover future expense cash flows arose from servicing existing policies during their entire terms.
- Future premium cash flows – the expected future premiums from instalment policies are deducted from the Solvency II technical provisions.
- All prudence margins have been removed by selecting the best estimate ultimate losses in the calculation of the liability cash flows.
- Discounting – all cash flows are discounted using the appropriate Solvency II yield curve in the relevant currencies. The yield curve is based on the risk free rate at the valuation date and is subject to the EIOPA prescribed credit risk adjustment.

There are significant uncertainties associated to the calculation of the TP. They relate primarily to how actual experience may deviate from the best estimate of the technical provisions, which include:

- Uncertainties in relation to the actual costs of settling the outstanding claims;
- The incurred but not reported claims element of the TP is an estimate of liabilities in relation to claims not yet known to the Company based on historical data. However, the past experience may not always be an appropriate representation of future claims;
- The Covid-19 outbreak also imposes additional uncertainties as the impact of this event is yet to be fully understood;
- The Events Not in Data aims to account for losses never occurred in the past. Its estimation involves a significant degree of judgements and assumptions;
- The estimates of expenses are subject to future economic and demographical changes.
- The risk margin calculation also contains high level uncertainties because the future solvency capital requirement will evolve constantly according to the underlying business profile.

The Company is fully aware of the above uncertainties in the TP calculation and will constantly monitor the development of its liabilities.

There were no material changes in the assumptions used in the calculation of technical provisions compared to the previous reporting period.

D.2.2 Technical Provisions by line of business

The gross Solvency II technical provisions by line of business are shown below (provisions for Unallocated Loss Adjustment Expenses are not included).

(All figures in £'000)	*Solvency-II* Best Estimate	Risk Margin	Total	**UK GAAP**	***Valuation difference***
Medical expense insurance	5,609	368	5,977	4,931	*1,046*
Other motor insurance	293	19	312	415	*(103)*
Marine, aviation and transport insurance	8,450	3	8,453	10,645	*(2,192)*
Fire and other damage to property insurance	36,749	1,224	37,973	41,291	*(3,318)*
General liability insurance	24,168	1,288	25,456	21,607	*3,850*
Credit and suretyship insurance	8,378	55	8,433	7,956	*477*
Miscellaneous financial loss	5,104	334	5,437	9,997	*(4,560)*
Total	**88,751**	**3,291**	**92,042**	**96,842**	***(4,800)***

For the three Solvency II line of business namely General liability insurance, Medial expense insurance and Credit and suretyship insurance, the Solvency II technical provisions on the Solvency II basis are higher than that on the UK GAAP basis. This is mainly driven by the Solvency II premium provisions being greater than the Unexpired Risk Premium ("UPR") booked under the UK GAAP. For these three lines of business, the expected future loss ratios used to estimate the SII premium provisions are above 100% whereas the UPR is estimated assuming a 100% loss ratio. For the other lines of business, it is vice versa. There are other factors worth noting as follows:

- For General liability insurance, the differences are also driven by provisions of the risk margin, binary events and expenses. This reflects the nature of business as "long-tail", which means it usually takes longer for incurred claims to be reported and settled. Therefore, the discounting effect on this class is greater than the other classes. Further, the expenses in relation to settling the long-tail claims are expected to be high. In addition, the volatile nature of general liability claims means they require higher risk margins and higher provisions for binary events;
- The reduction in technical provisions from UK GAAP to Solvency II in some business lines also come from the absence of the recognition of deferred acquisition cost under Solvency II. Under UK GAAP deferred acquisition costs are used as assets to offset the unearned premium reserves. However, under Solvency II, the deferred acquisition cost is not recognised and premium provisions are calculated based on premiums net of acquisition costs. The impacts of releasing deferred acquisition cost are more significant on lines of business with higher premium volumes and higher commission rates. Removal of the prudence margins also contributed to some of the differences.

No management actions or changes in policyholder behaviour are expected and no material adjustments have been made in the calculation of technical provision. There are minor changes to address data anomalies and model limitations.

The Company does not apply volatility adjustment and matching adjustment.

There is also no application of the transitional risk free interest rate term structure nor the transitional deduction from technical provisions.

See Appendix B for a detailed breakdown of the gross and net technical provisions by reserving class.

D.3 Other liabilities

The table below shows all other liabilities other than technical provisions for the reporting year as at 31 December 2019.

(All figures in £'000)	***Solvency-II***	***UK GAAP***	***Valuation difference***
Provisions other than technical provisions	340	340	*(0)*
Deposits from reinsurers	140	140	*(0)*
Deferred tax liabilities	0	171	*(171)*
Insurance & intermediaries payables	10,994	10,994	*0*
Reinsurance payables	12,385	12,385	*(0)*
Payables (trade, not insurance)	3,790	3,790	*0*
Any other liabilities, not elsewhere shown	(146)	(146)	*0*
Total other liabilities	**27,504**	**27,675**	***(171)***

The difference between Solvency II and UK GAAP for reinsurance payables, which amounts to £0.17m, relates to the ceded share of future premium as at 31 December 2019.

D.4 Alternative methods for valuation

The property is valued based on the most recent external valuation report. A valuation of the property takes place every three years or when necessary. The major uncertainty relates to the valuation is the volatility of market price.

D.5 Any other information

The Company has no other material information to disclose in relation to the differences between valuations for solvency purposes and statutory purposes.

E. Capital Management

E.1 Own funds

The Company is a 100% fully owned subsidiary of China Taiping Insurance Holding Ltd (CTIH), with a total paid-up capital of £55m. This has increased from its £25m in 2018 thanks to two batches of capital injections made by the parent company during the reporting period. The Company has no debts or loans in its financing plan in both the short and medium terms. The Tier 1 capital will remain as the main capital resource in the future, and the Group is committed to continue its support to the Company in forms of capital and finance as required. The own fund items are mainly invested in government and corporate bonds, collective investment funds and cash and cash deposits.

The own funds comprise of the following:

(All figures in £'000)	***2019***	***2018***
Ordinary share capital (gross of own shares)	55,000	25,000
Reconciliation reserve	(13,064)	3,591
An amount equal to net deferred tax assets	4,017	1,107
Total eligible own funds to meet the SCR	**45,953**	**29,698**
Total eligible own funds to meet the MCR	**41,936**	**28,591**

The Company's ordinary share capital and reconciliation reserve are available to absorb losses and have the Tier 1 features of permanence and subordination. The Company's ordinary share capital is classified as unrestricted Tier 1.

An amount equal to the value of net deferred tax assets is classified as Tier 3, as prescribed in the Solvency II Regulations.

The eligible amount of own funds to cover the Company's solvency capital requirement (SCR) is £45.95m (2018: £29.70m), 91.3% of which is classified as Tier 1 capital. The eligible amount of own funds to cover the Company's minimum capital requirement (MCR) is £41.94m (2018: £28.59m), 100.0% of which is classified as Tier 1 capital.

The table below reconciles the differences between the retained earnings and other reserves in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes.

(All figures in £'000)	***2019***	***2018***
SII excess of assets over liabilities	45,953	29,698
Ordinary share capital	(55,000)	(25,000)
An amount equal to net deferred tax assets	(4,017)	(1,107)
Reconciliation reserve	**(13,064)**	**3,591**

The Company has no off-balance sheet items and no ancillary own funds.

The capital management policy is to maintain adequate capital at all time as primary measures, at the same time comply with all regulatory capital requirements. Following the regulatory requirement, the Solvency II Standard Formula model is run quarterly to monitor movements in the SCR.

The capital management involves a risk related strategy, the objective is to mitigate the most significant current or foreseeable risks in business activities.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The table below shows the amount of the Company's SCR and MCR as at 31 December 2019 are

(All figures in £'000)	***2019***	***2018***
SCR	**29,186**	**22,931**
MCR	**9,554**	**7,820**

Table of the SCR breakdown

(All figures in £'000)	***2019***	***2018***
Market risk	6,804	7,530
Counterparty risk	7,346	3,933
Health underwriting risk	1,083	492
Non-life underwriting risk	18,933	14,841
Diversification	(7,784)	(6,192)
Basic SCR	**26,383**	**20,604**
Operational risk	2,802	2,326
SCR	**29,186**	**22,931**

At as 31 December 2019, the SCR coverage ratio of the Company was 157.4%, 27.9pp higher than the SCR ratio at the previous year end (129.5%).

The movement of overall SCR was mainly driven by the increased capital requirement in Non-life underwriting risk, Counterparty risk, Operational risk and Health underwriting risk, offset slightly by the reduction in the capital requirement for Market risk.

- The overall Non-life underwriting risk SCR has increased significantly. This is partially driven by the larger net premium volume and technical provisions produced by the Company's operations as discussed in section A.2. The Catastrophe risk SCR has also increased within this risk component due to larger retained positions on the natural catastrophe exposed books of business.
- The increment in Counterparty risk SCR was mainly caused by larger balances of insurance receivables from delegated authority schemes, cash deposits position and reinsurance recoverables.
- The growth in Operational risk SCR reflects the overall business volume increase.
- Despite a larger volume of assets invested following the capital injections, the Market risk SCR has reduced as a result of a more conservative investment strategy during the reporting period.

Two capital injections from the Group of a total £30m have been received by the Company during the reporting period. The additional capital has helped the Company restore its SCR coverage ratio above 150%. The projected capital and solvency positions show that the funding level should be able to support the planned developments in the Company's business strategy as at the time this report is produced.

The Company has not used any simplified calculations, undertaking specific parameters or a matching adjustment in the calculation of its SCR.

The Company's MCR is calculated by applying prescribed factors to its net written premium and its Best Estimate Liabilities. The MCR is subject to two further constraints; it must lie in the range of 25% to 45% of the Company's SCR and it cannot be less than an absolute minimum amount of €3.7million, converted at the exchange rate applicable at the end of October preceding the year end. The Company's MCR is £9.55m (2018: £7.82m).

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

Duration-based equity risk sub-module is not used in the calculation of the Solvency Capital Requirement.

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

No internal or partial internal model is used for the calculation of the SCR.

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

The Company has complied continuously with both the MCR and SCR throughout the reporting period.

E.6 Any other information

The Company has no other material information to disclose in relation to capital management.

Appendices

A. Underwriting performance breakdown

	*UNITED KINGDOM** *£'000*	*NETHERLANDS* *£'000*
Gross Premiums written	50,027	22,363
Reinsurers' share of Premiums written	-16,206	-7,244
Net Premiums written	**33,821**	**15,119**
Gross Premiums earned	51,595	21,821
Reinsurers' share of Premiums earned	-19,193	-7,023
Net Premiums earned	**32,402**	**14,798**
Gross Claims incurred	-34,760	-15,051
Reinsurers' share of Claims incurred	8,251	5,126
Net Claims incurred	**-26,509**	**-9,925**
Expenses incurred	**-17,273**	**-5,720**
Balance on the technical account	**-11,380**	**-847**

* This includes portfolios of a total Gross Written Premium of £1,601,401, mainly fell within the line of "Fire and other damage to property", for risks situated in the Republic of Ireland and Denmark. The portfolios are of limited size and are underwritten by the London office. In addition, this excludes the Aviation business. Although the Aviation business is underwritten by the London office but is originated from various countries under the rules of Solvency II.

B. Technical provision breakdown

(All figures in £'000)		Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Total
SII Gross	*Premium Provisions*	2,330	165	7,628	7,030	3,454	831	1,410	22,849
	Claims Provisions	3,278	129	822	29,719	20,714	7,547	3,693	65,902
	Best Estimate	**5,609**	**293**	**8,450**	**36,749**	**24,168**	**8,378**	**5,104**	**88,751**
	Risk Margin	368	19	1,224	1,288	55	334	3	3,291
	Total	**5,977**	**312**	**9,674**	**38,038**	**24,223**	**8,712**	**5,107**	**92,042**
UK GAAP Gross*		**4,931**	**415**	**10,645**	**41,291**	**21,607**	**7,956**	**9,997**	**96,842**
SII Net	*Premium Provisions*	2,354	160	44	4,667	3,349	72	1,424	12,072
	Claims Provisions	3,309	132	2	14,171	16,481	772	3,713	38,580
	Best Estimate	**5,663**	**293**	**46**	**18,838**	**19,830**	**844**	**5,137**	**50,651**
	Risk Margin	368	19	1,224	1,288	55	334	3	3,291
	Total	**6,031**	**312**	**1,270**	**20,127**	**19,885**	**1,178**	**5,140**	**53,942**
UK GAAP Net*		**4,962**	**314**	**28**	**21,388**	**16,872**	**485**	**10,017**	**54,066**

* UK GAAP provisions exclude provisions for Unallocated Loss Adjustment Expenses (ULAE) of £2.09m, on both gross and net account, as ULAE provisions are not allocated to lines of business. Minor differences may exist due to rounding.

C. Solvency II templates

S.02.01.02

Balance sheet

(All figures in £'000)		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	4,017
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	9,700
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	77,003
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	1,625
Equities - listed	R0110	1,625
Equities - unlisted	R0120	0
Bonds	R0130	50,511
Government Bonds	R0140	29,994
Corporate Bonds	R0150	20,516
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	2,568
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	22,299
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0

Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	38,100
Non-life and health similar to non-life	R0280	38,100
Non-life excluding health	R0290	38,154
Health similar to non-life	R0300	-54
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	950
Insurance and intermediaries receivables	R0360	19,567
Reinsurance receivables	R0370	6,761
Receivables (trade, not insurance)	R0380	2,649
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	6,048
Any other assets, not elsewhere shown	R0420	704
Total assets	R0500	165,498
Liabilities		
Technical provisions – non-life	R0510	92,042
Technical provisions – non-life (excluding health)	R0520	86,065
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	83,142
Risk margin	R0550	2,923
Technical provisions - health (similar to non-life)	R0560	5,977
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	5,609
Risk margin	R0590	368
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0

Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	340
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	140
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	10,994
Reinsurance payables	R0830	12,385
Payables (trade, not insurance)	R0840	3,790
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	-146
Total liabilities	R0900	119,546
Excess of assets over liabilities	R1000	45,953

S.05.01.02

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

(All figures in £'000)		**Line of Business for: non-life direct business and accepted proportional reinsurance**							**Total**
		Medical expense insurance	**Other motor insurance**	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Miscellaneous financial loss**	
		C0010	C0050	C0060	C0070	C0080	C0090	C0120	C0200
Premiums written									
Gross - Direct Business	R0110	4,621	579	4,934	44,901	5,965	622	11,390	73,012
Gross - Proportional reinsurance accepted	R0120	0	0	10,055	2,947	0	0	0	13,002
Reinsurers' share	R0140	25	111	14,990	18,425	2,376	360	34	36,320
Net	R0200	4,597	467	0	29,423	3,589	262	11,356	49,694
Premiums earned									
Gross - Direct Business	R0210	4,746	557	3,871	47,510	5,740	1,259	10,992	74,675
Gross - Proportional reinsurance accepted	R0220	0	0	8,816	2,947	0	0	0	11,763
Reinsurers' share	R0240	25	111	12,687	21,672	2,566	990	427	38,478
Net	R0300	4,722	446	0	28,785	3,173	269	10,565	47,960
Claims incurred									
Gross - Direct Business	R0310	6,882	329	741	32,965	3,730	7,868	5,165	57,679
Gross - Proportional reinsurance accepted	R0320	0	0	-4	2,196	0	0	0	2,193
Reinsurers' share	R0340								0
Net	R0400	-203	-40	785	15,513	-1,028	7,825	111	22,963
Expenses incurred	R0550	7,084	369	-48	19,648	4,758	43	5,053	36,908
Other expenses	R1200	1,541	82	-662	13,621	1,528	152	7,655	23,917
Total expenses	R1300	0	0	0	0	0	0	0	0

S.05.02.01

Home Country and Total Top 5 and home country – non-life obligations

(All figures in £'000)		**Home country**	**Total Top 5 and home country**
		C0080	C0140
Premiums written			
Gross – Direct Business	R0110	50,026.96	72,390.18
Gross – Proportional reinsurance accepted	R0120	0.27	4,136.69
Gross – Non-proportional reinsurance accepted	R0130	0.00	0.00
Reinsurers' share	R0140	16,206.04	27,586.92
Net	R0200	33,821.18	48,939.95
Premiums earned			
Gross – Direct Business	R0210	51,594.95	73,416.13
Gross – Proportional reinsurance accepted	R0220	0.23	3,626.84
Gross – Non-proportional reinsurance accepted	R0230	0.00	0.00
Reinsurers' share	R0240	19,193.53	29,843.62
Net	R0300	32,401.66	47,199.35
Claims incurred			
Gross – Direct Business	R0310	34,760.00	49,810.57
Gross – Proportional reinsurance accepted	R0320	-0.00	-1.55
Gross – Non-proportional reinsurance accepted	R0330	0.00	0.00
Reinsurers' share	R0340	8,251.15	13,375.49
Net	R0400	26,508.85	36,433.53
Expenses incurred	R0550	17,272.98	23,147.86
Other expenses	R1200	0	0.00
Total expenses	R1300	17,272.98	23,147.86

S.17.01.02

Non-Life Technical Provisions

(All figures in £'000)		Direct business and accepted proportional reinsurance							Total Non-Life obligation
		Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	
		C0020	C0060	C0070	C0080	C0090	C0100	C0130	C0180
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross - Total	R0060	2,330	165	7,628	7,030	3,454	831	1,410	22,849
Total recoverable from reinsurance/ after the adjustment for expected losses due to counterparty default	R0140	-24	4	7,584	2,363	105	759	-14	10,777
Net Best Estimate of Premium Provisions	R0150	2,354	160	44	4,667	3,349	72	1,424	12,072
Claims provisions									
Gross - Total	R0160	3,278	129	822	29,719	20,714	7,547	3,693	65,902
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-31	-4	819	15,548	4,233	6,775	-19	27,322

Net Best Estimate of Claims Provisions	R0250	3,309	132	2	14,171	16,481	772	3,713	38,580
Total Best estimate - gross	R0260	5,609	293	8,450	36,749	24,168	8,378	5,104	88,751
Total Best estimate - net	R0270	5,663	293	46	18,838	19,830	844	5,137	50,651
Risk margin	R0280	368	19	3	1,224	1,288	55	334	3,291
Amount of the transitional on Technical Provisions									
TP as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								
Technical provisions - total									
Technical provisions - total	R0320	5,977	312	8,453	37,973	25,456	8,433	5,437	92,042
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-54	1	8,403	17,911	4,338	7,534	-33	38,100
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	6,031	312	49	20,062	21,119	899	5,471	53,942

S.19.01.21

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

Line of business	**Accident year / Underwriting year**	**Currency**	**Currency conversion**
Z0010	Z0020	Z0030	Z0040
Total Non-Life Business	Accident year [AY]	GBP	Expressed in currency of denomination (not converted to reporting currency)

(All figures in £'000)		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**10 & +**	**In Current year**	**Sum of years (cumulative)**
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0160	C0170	C0180
Prior	R0100												1,987	1,987	73,590
N-10	R0150	2,292	2,806	482	573	313	124	398	7	(7)	1	0		0	6,990
N-9	R0160	1,589	2,072	585	510	503	313	85	9	0	1			1	5,665
N-8	R0170	1,792	2,009	483	228	526	225	26	89	33				33	5,410
N-7	R0180	2,346	2,235	857	577	2,254	384	127	57					57	8,840
N-6	R0190	1,456	2,875	617	384	439	271	418						418	6,460
N-5	R0200	2,740	2,712	907	527	718	575							575	8,179
N-4	R0210	3,506	5,697	1,609	969	669								669	12,450
N-3	R0220	3,794	3,879	1,512	2,317									2,317	11,501
N-2	R0230	4,928	5,271	1,868										1,868	12,067
N-1	R0240	10,618	10,245											10,245	20,863
N	R0250	11,102												11,102	11,102
Total	R0260													29,272	183,117

Gross undiscounted Best Estimate Claims Provisions – Development year (absolute amount). Total Non-Life Business

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**10 & +**	**Year end(Discounted)**
(All figures in £'000)		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0350	C0360
Prior	R0100												0	0
N-10	R0150									-56	-24	0		0
N-9	R0160								-89	-30	0			0
N-8	R0170							-166	-239	2,220				2,177
N-7	R0180						-55	-160	22					21
N-6	R0190					-130	-118	-20						-19
N-5	R0200				-653	-1,438	407							399
N-4	R0210			-1,120	-450	1,094								1,075
N-3	R0220		-6,170	-1,298	4,847									4,776
N-2	R0230	12,280	-6,452	6,394										6,300
N-1	R0240	13,452	12,432											12,266
N	R0250	24,232												23,942
Total	R0260													50,937

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

Line of business	**Accident year / Underwriting year**	**Currency**	**Currency conversion**
Z0010	Z0020	Z0030	Z0040
Total Non-Life Business	Accident year [AY]	EUR	Expressed in currency of denomination (not converted to reporting currency)

(All figures in £'000)		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**10 & +**	**In Current year**	**Sum of years (cumulative)**
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0160	C0170	C0180
Prior	R0100												0	0	849
N-10	R0150	103	436	44	24	10	1	2	1	8	6	11		11	646
N-9	R0160	518	510	418	448	19	87	2	0	0	0			0	2,001
N-8	R0170	235	288	34	0	2	2	0	0	0				0	560
N-7	R0180	721	326	35	496	15	0	2	0					0	1,596
N-6	R0190	565	343	23	3	0	47	0						0	981
N-5	R0200	295	282	31	10	3	1							1	623
N-4	R0210	1,048	159	20	8	1								1	1,235
N-3	R0220	1,217	1,223	548	48									48	3,035
N-2	R0230	1,752	2,479	401										401	4,633
N-1	R0240	5,852	6,844											6,844	12,695
N	R0250	7,817												7,817	7,817
Total	R0260													15,122	36,671

Gross undiscounted Best Estimate Claims Provisions – Development year (absolute amount). Total Non-Life Business

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**10 & +**	**Year end(Discounted)**
(All figures in £'000)		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0350	C0360
Prior	R0100												0	0
N-10	R0150									100	-100	0		0
N-9	R0160								-2	0	0			0
N-8	R0170							-17	7	0				0
N-7	R0180						-38	-4	0					0
N-6	R0190					44	-18	0						0
N-5	R0200				-108	-6	0							0
N-4	R0210			-209	-273	5								4
N-3	R0220		-269	-539	67									58
N-2	R0230	3,015	-2,177	451										388
N-1	R0240	7,076	1,009											867
N	R0250	10,115												8,693
Total	R0260													10,010

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

Line of business	**Accident year / Underwriting year**	**Currency**	**Currency conversion**
Z0010	Z0020	Z0030	Z0040
Total Non-Life Business	Underwriting year [UWY]	GBP	Expressed in (converted to) reporting currency

(All figures in £'000)		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**10 & +**	**In Current year**	**Sum of years (cumulative)**
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0160	C0170	C0180
Prior	R0100												5	5	6,888
N-10	R0150	39	95	63	58	16	11	6	2	2	3	0		0	294
N-9	R0160	24	40	58	88	94	98	98	100	103	103			103	809
N-8	R0170	14	50	86	107	119	127	155	157	157				157	974
N-7	R0180	43	116	205	297	313	315	318	318					318	1,926
N-6	R0190	76	130	160	175	201	212	212						212	1,167
N-5	R0200	53	207	251	292	346	346							346	1,494
N-4	R0210	91	136	198	256	258								258	940
N-3	R0220	20	142	357	535									535	1,053
N-2	R0230	281	1,651	1,884										1,884	3,817
N-1	R0240	370	470											470	840
N	R0250	161												161	161
Total	R0260													4,451	20,362

Gross undiscounted Best Estimate Claims Provisions – Development year (absolute amount). Total Non-Life Business

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**10 & +**	**Year end(Discounted)**
(All figures in £'000)		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0350	C0360
Prior	R0100												0	0
N-10	R0150									-4	0	0		0
N-9	R0160								-1	-1	0			0
N-8	R0170							-36	-2	3				3
N-7	R0180						-23	-5	1					1
N-6	R0190					-46	-10	16						16
N-5	R0200				-103	-19	25							24
N-4	R0210			-90	65	22								22
N-3	R0220		-246	33	124									122
N-2	R0230	4,340	-209	1,827										1,803
N-1	R0240	1,572	1,410											1,392
N	R0250	1,591												1,571
Total	R0260													4,955

S.23.01.01

Own funds

(All figures in £'000)		Total	Tier 1 - unrestricted	Tier 3
		C0010	C0020	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35				
Ordinary share capital (gross of own shares)	R0010	55000	55000	
Share premium account related to ordinary share capital	R0030			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040			
Subordinated mutual member accounts	R0050			
Surplus funds	R0070			
Preference shares	R0090			
Share premium account related to preference shares	R0110			
Reconciliation reserve	R0130	-13064	-13064	
Subordinated liabilities	R0140			
An amount equal to the value of net deferred tax assets	R0160	4017		4017
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	45953	41936	4017
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	45953	41936	4017
Total available own funds to meet the MCR	R0510	41936	41936	
Total eligible own funds to meet the SCR	R0540	45953	41936	4017
Total eligible own funds to meet the MCR	R0550	41936	41936	
SCR	R0580	29186		
MCR	R0600	9,554.03		
Ratio of Eligible own funds to SCR	R0620	157.45%		
Ratio of Eligible own funds to MCR	R0640	438.94%		

Reconciliation reserve

(All figures in £'000)		Total
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	45,952.69
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	59,016.51
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-13,063.82
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0.00
Total Expected profits included in future premiums (EPIFP)	R0790	0.00

S.25.01.21

Basic Solvency Capital Requirement - for undertakings on Standard Formula

(All figures in £'000)		**Gross solvency capital requirement**	**USP**	**Simplification**
		C0110	C0090	C0100
Market risk	R0010	6,804		None
Counterparty default risk	R0020	7,346		
Life underwriting risk	R0030	0	None	None
Health underwriting risk	R0040	1,083	None	None
Non-life underwriting risk	R0050	18,933	None	None
Diversification	R0060	-7,784		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	26,383		

Calculation of Solvency Capital Requirement

(All figures in £'000)		**Value**
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	2,802.21
Loss-absorbing capacity of technical provisions	R0140	0.00
Loss-absorbing capacity of deferred taxes	R0150	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.00
Solvency Capital Requirement excluding capital add-on	R0200	29,185.67
Capital add-on already set	R0210	0.00
Solvency capital requirement	R0220	29,185.67
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	

S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations

(All figures in £'000)		**MCR components**
		C0010
MCRNL Result	R0010	9,554

Background information

(All figures in £'000)		Background information	
		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	5,663	4,597
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	293	467
Marine, aviation and transport insurance and proportional reinsurance	R0070	46	0
Fire and other damage to property insurance and proportional reinsurance	R0080	18,838	29,423
General liability insurance and proportional reinsurance	R0090	19,830	3,589
Credit and suretyship insurance and proportional reinsurance	R0100	844	262
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	5,137	11,356
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Overall MCR calculation

(All figures in £'000)		C0070
Linear MCR	R0300	9,554
SCR	R0310	29,186
MCR cap	R0320	13,134
MCR floor	R0330	7,296
Combined MCR	R0340	9,554
Absolute floor of the MCR	R0350	3,189
Minimum Capital Requirement	R0400	9,554