# Equitas Holdings Limited

## Solvency & Financial Condition Report

## As at 31 March 2021

**Corporate references**

| | |
|---|---|
| Firm Reference Number | 204019 |
| Legal Entity Identifier (LEI) | 213800WGE6LLJYDKRI03 |
| Registered Number | 03136296 |

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# SUMMARY

Introduction and summary

This document is the Solvency & Financial Condition Report (SFCR) for Equitas Holdings Limited; it is based on the financial position as at 31 March 2021. This SFCR incorporates both consolidated information at the level of Equitas Holdings Limited and its subsidiaries ("the Group"), and solo information for the subsidiary insurance undertaking Equitas Insurance Limited ("EIL or Solo"). A structure chart for the Group is attached at Appendix 1.

This report is prepared in compliance with a waiver granted by the PRA with effect from 18 May 2017.

Key Capital Performance Indicators

| | **Solo** | | **Group** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **£000s** | **£000s** | **£000s** | **£000s** |
| **Tier 1 funds** | | | | |
| Called Up share capital | 16,500 | 16,500 | - | - |
| Reconciliation reserve | (80,564) | (118,833) | (34,108) | (73,302) |
| **Total** | (64,024) | (102,333) | (34,108) | (73,302) |
| **Tier 2 funds** | | | | |
| Subordinated Loan | 23,750 | 22,820 | - | - |
| **Total available and eligible own funds to meet SCR** | (40,274) | (79,512) | (34,108) | (73,302) |
| Standard Formula Solvency Capital Requirement (SCR) | 116,608 | 140,224 | 112,641 | 137,034 |
| SCR Deficit | **(156,882)** | **(219,736)** | **(146,749)** | **(210,336)** |
| Minimum Capital Requirement (MCR) | 29,152 | 35,056 | 29,152 | 35,056 |
| MCR Deficit | **(69,426)** | **(114,568)** | **(63,260)** | **(108,358)** |
| **Solvency ratio** | **(35)%** | **(57)%** | **(30)%** | **(53)%** |

**Review of the business**

Equitas Limited, based in London, was established in September 1996 to reinsure and run-off the 1992 and prior years' non-life liabilities of Names, or Underwriters, at Lloyd's of London.

The Company was transformed when it entered into an agreement in November 2006 under which National Indemnity Company (NICO), a member of the Berkshire Hathaway group of companies, reinsured its liabilities and another member of the Berkshire Hathaway group, Resolute Management Services Limited ("RMSL"), took over responsibility for the run-off. This first phase of this transaction was completed in March 2007.

The second phase of the transaction was completed when the High Court made an order on 25 June 2009 approving the transfer under Part VII of the Financial Services & Markets Act 2000 of the 1992 and prior non-life business of members and former members of Lloyd's to Equitas Insurance Limited, a wholly owned subsidiary of Equitas Holdings Limited formed for that purpose. The transfer covers all the business reinsured by Equitas Limited at the time of Reconstruction and Renewal in 1996, and includes the PCW syndicates' business reinsured by Lioncover Insurance Company Limited and the Warrilow syndicates' business reinsured by Centrewrite Limited. The transfer took effect on 30 June 2009, and means that Names are no longer liable for their 1992 and prior years' underwriting liabilities at Lloyd's as a matter of UK law. The transfer is recognised in all EEA jurisdictions.

In previous years the Group purchased a total of $7 billion reinsurance cover, over and above the provisions at 31 March 2006, from National Indemnity Company ("National Indemnity"), a member of the Berkshire Hathaway group of insurance companies. A review of the development of the transaction with National Indemnity is set out on the next page.

The Group has continued to pursue its strategy to run-off the liabilities reinsured in 1996 which were transferred from the Names to the Group in 2009. A chart showing the chain of reinsurance is attached at Appendix 2.

Available own funds to meet the SCR have increased by circa £39m between 31 March 2020 and 31 March 2021, and they remain negative. This increase is driven by a circa £38m decrease in the Solvency II valuation of liabilities.

## The National Indemnity Reinsurance Agreement

### *Overview*

There were two phases to the transaction. The first phase involved the purchase of an additional $5.7 billion of reinsurance cover over and above the existing Equitas provisions at 31 March 2006, less claims payments and reinsurance recoveries received between 1 April 2006 and 31 March 2007. The second phase completed during the year ended 31 March 2010 involved the transfer of Names' obligations to policyholders to a new Group company, Equitas Insurance Limited, and the purchase of additional reinsurance cover of $1.3 billion from National Indemnity.

### *Current cover position*

The reinsurance cover in excess of that needed to match our assessment of the liabilities (the 'Additional Reinsurance Cover') available at the 31 March is set out in the table below:

| | *2021* | *2020* |
|---|---|---|
| | *$m* | *$m* |
| Additional reinsurance cover available at 1 April 2020/2019 | 4,367 | 4,553 |
| Movement in provisions | (326) | (191) |
| Exchange differences | (7) | 5 |
| **Additional reinsurance cover available at 31 March 2021/2020** | **4,034** | **4,367** |

As at 31 March 2021, $2,966 million (or 42.4%) (2020: $2,633 million (or 37.6%)) of the additional $7.0 billion of reinsurance cover purchased from National Indemnity has been utilised to cover reserve deterioration since 1 April 2006. The cover remaining that is not yet required is not shown in the financial statements, nor in the SII balance sheet in this SFCR. The cover remaining that is not yet required is not shown in the financial statements, although it significantly strengthens the Company's financial position.

## How the run-off is managed

Resolute Management Services Limited ("RMSL"), a member of the Berkshire Hathaway group, manages the run-off as agent for Equitas Insurance Limited (formerly the Names prior to the Part VII transfer). The costs of running RMSL are met by National Indemnity, for as long as the total of claims paid (net of reinsurance recoveries) by National Indemnity is less than the total cover provided. RMSL is entitled to exercise wide powers to manage the retroceded business and is required to exercise those powers in the interests of the Group and Names.

### Protection against reinsurer credit risk

RMSL manages the claims adjusting process. National Indemnity will not be required to provide security for its reinsurance obligations for so long as National Indemnity's insurer financial strength rating, as measured by Standard & Poor's, remains at AA- or higher. If, however, National Indemnity's rating were to drop below this level, it must either provide a letter of credit or establish a trust fund, equal to 102 per cent of its net liabilities under the agreement (provided that this does not exceed the remaining reinsurance cover), plus estimated future operating expenses. If National Indemnity's rating falls below A- then the 102 per cent requirement increases to 125 per cent (provided that this does not exceed the remaining reinsurance cover).

At the date of this report the Standard & Poor's rating for National Indemnity remains very strong at AA+. The Berkshire Hathaway group (of which National Indemnity is a part) had a rating of AA. At 31 December 2020, National Indemnity had $188bn surplus as regards policyholders and total assets of $317bn.

### Valuation and adequacy of Regulatory Capital

The Standard Formula produces a Solvency Capital Requirement which management accept as appropriate to use for the business under Solvency II standards: i.e. corresponding to the Value-at-Risk of the basic own funds of the company subject to a confidence level of 99.5% over a one-year period. As the Group is in run-off, management also considers the capital requirement to a confidence level of 97.5% to ultimate; this is considered managements' Own Economic Capital Requirement (OECR).

For the purposes of calculating our SCR we need to arrive at our best estimate of all possible future outcomes rather than just reasonably foreseeable outcomes. We therefore have to consider the possibility that losses are significantly greater than current expectations such that the National Indemnity reinsurance cover exhausts. We make an assumption regarding the variability of the different components of the provisions and then use a stochastic model to determine the expected net loss to Equitas Insurance Limited (EIL) in excess of the National Indemnity reinsurance cover.

It is forecast that EIL will continue to fail to meet both the Standard Formula Solvency Capital Requirement and management's Own Economic Capital Requirement over the current planning horizon; there are no current indicators that suggest that this is likely to change over the longer term.

EIL was formed under the less onerous capital requirements of Solvency I and the Group has no means of raising additional capital. EIL is subject to the requirements of the Solvency II directive and Equitas Holdings Limited is required to report under Solvency II as the group holding company. Equitas Limited and Equitas Reinsurance Limited whilst not subject to Solvency II do have to report solvency criteria in line with the Solvency I requirements and, for similar reasons do not meet the capital requirements. At the time the Part VII was approved by the High Court our confidence level that the National Indemnity (NICO) reinsurance would be sufficient to cover loss to ultimate was assessed at 96.9%. Our current assessment is 95.3%.

**Investment Performance**

Investments are invested in variable yield securities, debt securities and other fixed interest securities.

The Group has two investment portfolios to support the solvency capital requirements of both;

i) EQL under the less onerous Non Solvency II rules of the PRA rule book,
ii) and EIL to support the capital requirements under the solvency II regime.

The mandate for the external fund manager requires a minimum investment quality and places restrictions on the level of exposure with each counterparty.

The Group has no exposure to derivatives or currency hedging risks.

The net investment return for the year was a gain group £2,791k (2020 £1,038k), EIL £1,279k (2020 £450k) an increase of £1,753k, EIL £829k almost entirely as a result of the movement of unrealised losses to unrealised gains in year amounting, with Income remained relatively stable at group £1.5m, EIL 700k, the components of the investment return are shown below:

| | | Solo | | | Group | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Change | 2020 | 2021 | Change |
| Income | 700 | 721 | (21) | 1,502 | 1,569 | (67) |
| Realised (losses)/gains | (28) | 129 | (157) | (60) | 281 | (341) |
| Unrealised gains/(losses) | 607 | (400) | 1,007 | 1,349 | (812) | 2,161 |
| Total | 1,279 | 450 | 829 | 2,791 | 1,038 | 1,753 |

The Board of Directors reivews the investment return generated by the investment portfolios held by the Group.

For the year ended 31 March 2021, the Group reported a profit after taxation of £1,625k (2020: £111k loss), driven by the excess of investment income over corporate expenses.

**Governance**

EHL and its wholly-owned subsidiaries are run by a common Board of Directors. Meetings are normally held on a quarterly basis with additional meetings scheduled as required.

The Board meets regularly to receive the operational reports for the Group from RMSL relating to the run-off activities, monitor the investment portfolios, deal with regulatory matters and handle any other corporate business.

Whilst the 4 main key Governance functions of Risk Management, Internal Control, Compliance and Actuarial are all outsourced to RMSL, full responsibility remains with the Group Board and is exercised by direct oversight by the Group Chief Executive Officer (CEO).

**Risk Profile**

The main Solvency Capital Requirement (SCR) modules (excluding diversification) for 2021 and 2020 are shown below:

**EIL Solo basis and EHL Group basis, as at 31 March**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | EIL Solo | EHL Group | EIL Solo | EHL Group |
| | £000s | £000s | £000s | £000s |
| Insurance Risk | 22,785 | 22,785 | 29,905 | 29,905 |
| Market Risk | 29,283 | 23,664 | 33,891 | 29,320 |
| Counterparty default Risk | 63,244 | 63,250 | 75,079 | 75,108 |
| Operational Risk | 26,909 | 25,994 | 32,360 | 31,623 |

The group is in run-off and considers insurance risk within its general insurance activity to be the management of claims and the adequacy of reserving. The risk relates to the inherent uncertainty around the level of provisions held.

Reinsurer Credit Risk is the risk of loss in the financial assets due to counterparties failing to meet all or part of their obligations. Reinsurance remains in force from the syndicates pre-1993, the reinsurance contract with National Indemnity (NICO) includes all the credit risks for this original reinsurance hence the Group only considers the NICO contract in relation to credit risk.

In the event of significant adverse claims experience, the Group is highly reliant on the ability of its reinsurer, National Indemnity Company (National Indemnity) to respond.

Market Risk is the risk of an adverse financial impact because of changes in future cash flows of financial instruments owing to fluctuations in interest rates and market prices.

Operational Risk is the risk of an adverse financial impact owing to being in business and can arise from the operation’s people, processes, and systems.

Further information on each separate category of risk can be found in detail in Section C below including a description of the measures used to assess these risks and a description of the material risks which the Company and Group are exposed to.

## Principal risks and uncertainties

The principal risk facing the Group has always been the ability to meet the reinsured liabilities (and since 2009 the assumed liabilities) as they fall due in the light of the significant uncertainties as to the accuracy of the provision for claims outstanding shown in the balance sheet. This risk was significantly reduced by the completion of both phases of the reinsurance transaction with National Indemnity, which provided an additional $7 billion of reinsurance cover above that needed to meet the reserves at 31 March 2006.

The principal risk now facing the Group is that liabilities come to exceed the reinsurance cover purchased. There is also the risk that the financial security of National Indemnity deteriorates, though there are provisions in the contract to mitigate such changes which are outlined on page 6. The Board of Equitas believes that the prospect of Equitas failing is very low, although some risk of failure inevitably remains given the inherent uncertainties which exist when dealing with the types of liabilities that were originally reinsured by the Group.

# A. BUSINESS AND PERFORMANCE

**A1 Business**

Equitas Limited, based in London, was established in September 1996 to reinsure and run-off the 1992 and prior years' non-life liabilities of Names, or Underwriters, at Lloyd's of London.

Equitas Reinsurance Limited ("ERL") completed the reinsurance of the 1992 and prior years' business, except business previously reinsured by Lioncover Insurance Company Limited ("Lioncover business"), with effect from 3 September 1996 and reinsured the Lioncover business with effect from 18 December 1997. It retroceded these businesses to Equitas Limited. Equitas Reinsurance Limited and Equitas Limited are authorised and regulated under the Financial Services and Markets Act 2000 by the Prudential Regulation Authority and the Financial Conduct Authority under Solvency I.

Equitas Limited was transformed when it entered into an agreement in November 2006 under which National Indemnity Company, a member of the Berkshire Hathaway group of companies, reinsured its liabilities and another member of the Berkshire Hathaway group, Resolute Management Services Limited ("RMSL"), took over responsibility for the run-off. This first phase of this transaction was completed in March 2007.

The second phase of the transaction was completed when the High Court made an order on 25 June 2009 approving the transfer under Part VII of the Financial Services & Markets Act 2000 of the 1992 and prior non-life business of members and former members of Lloyd's to Equitas Insurance Limited, a wholly owned subsidiary of Equitas Holdings Limited formed for that purpose. The transfer covers all the business reinsured by Equitas Limited at the time of Reconstruction and Renewal in 1996, and includes the PCW syndicates' business reinsured by Lioncover Insurance Company Limited and the Warrilow syndicates' business reinsured by Centrewrite Limited. The transfer took effect on 30 June 2009, and means that Names are no longer liable for their 1992 and prior years' underwriting liabilities at Lloyd's as a matter of UK law. The transfer is recognised in all EEA jurisdictions.

Equitas Insurance Limited ("EIL") is authorised and regulated under the Financial Services and Markets Act 2000 by the Prudential Regulation Authority and the Financial Conduct Authority under Solvency II. It is only authorised to effect and carry out the business that was transferred to it pursuant to the Part VII transfer and cannot accept any new business. Appendix 1 shows the group structure and Appendix 2 shows the chain of reinsurance.

## Name and legal form of the Undertakings

Equitas Holdings Limited (EHL) is a limited company incorporated and domiciled in England and Wales (No. 03136296), and is regulated under Solvency II.

Equitas Insurance Limited (EIL) is a limited company incorporated and domiciled in England and Wales (No. 06704451), and is regulated under Solvency II.

Equitas Reinsurance Limited (ERL) is a limited company incorporated and domiciled in England and Wales (No. 03136300), and is regulated under Solvency I.

Equitas Limited (EL) is a limited company incorporated and domiciled in England and Wales (No. 03173352), and is regulated under Solvency I.

The registered address of the above Companies is 4th Floor, 8 Fenchurch Place, London EC3M 4AJ.

## The National Indemnity Transaction

On 30 March 2007 Equitas Limited entered into a whole account retrocession agreement with National Indemnity Company, a member of the Berkshire Hathaway group of companies.

## Future outlook

The Group will continue to focus on monitoring the run-off.

As expected, the capital requirements have not been met and it is unlikely that the requirement will be met in the foreseeable future. Equitas Insurance Limited (EIL) was formed under the less onerous capital requirements of Solvency I and the Group has no means of raising additional capital. Nevertheless, the Board believes that the substantial unutilised reinsurance cover available makes the prospect of the failure of EIL very low. Equitas Insurance Limited is subject to the requirements of the Solvency II directive and Equitas Holdings Limited is required to report under Solvency II as the group holding company. Equitas Limited and Equitas Reinsurance Limited whilst not subject to Solvency II do have to report solvency criteria in line with the Solvency I requirements and, for similar reasons do not meet the capital requirements.

The Company employs only one member of staff, its Chief Executive. By virtue of the reinsurance contract between the Group and National Indemnity, the day to day operations are undertaken by Resolute Management Services Limited, a member of the Berkshire Hathaway Group. This can be considered to be a form of outsourcing although it arises from the reinsurance transaction rather than separate outsource agreement.

There are some items that fall outside the remit of the reinsurance contract, but the great majority of the activities fall within its remit. One of the key responsibilities of the Chief Executive is to monitor the operation of the run-off to ensure that it is being managed appropriately in accordance with the contract. Whilst the remaining cover is significantly greater than the liabilities, the financial risk lies with National Indemnity, and so by virtue of the contractual agreement, the ability to control the day to day operations is very limited.

**Supervision**

The Group is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The PRA may be contacted through their website at www.bankofengland.co.uk/pra or at 20 Moorgate, London, EC2R 6DA.

The FCA may be contacted through their website at www.fca.org.uk or at 25 North Colonnade, Canary Wharf, London, E14 5HS.

**Auditor**

As reported in the Report and Accounts, the Group's external auditor is PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

## A2 Underwriting Performance in 2021

Management are responsible for ensuring that the business is adequately capitalised and safely managed. The Governance structure and Risk management processes are designed to ensure this. The Group took on its UK-written liabilities in 1996 and 1997 and has not written any insurance business since that time.

For the year ended 31 March 2021, the Group reported a profit after taxation of £1,625k (2020: £111k loss), driven by the excess of investment income over corporate expenses.

As at 31 March 2021, the Group had Shareholders' funds amounting to £84,087k (2020: £82,462k) and UK GAAP Balance Sheet Technical gross provisions as set out below:

**Provision for claims outstanding for both EHL Group & EIL Solo**

| | Claims | Reinsurance | Net |
|---|---|---|---|
| | £000s | £000s | £000s |
| Provisions at 1 April 2020 | 4,620,109 | (4,620,109) | - |
| Payments, receipts and accruals | (261,961) | 261,961 | - |
| Reassessment of liabilities and reinsurances | 238,812 | (238,812) | - |
| Exchange movements | (381,516) | 381,516 | - |
| Provisions at 31 March 2021 | 4,215,444 | (4,215,444) | - |

| | Claims | Reinsurance | Net |
|---|---|---|---|
| | £000s | £000s | £000s |
| Provisions at 1 April 2019 | 4,457,437 | (4,457,437) | - |
| Payments, receipts and accruals | (189,185) | 189,185 | - |
| Reassessment of liabilities and reinsurances | 161,625 | (161,625) | - |
| Exchange movements | 190,232 | (190,232) | - |
| Provisions at 31 March 2020 | 4,620,109 | (4,620,109) | - |

The above Gross £238,812k (2020: £161,625k) of Incurred losses have arisen from an actuarial review of the insurance reserves which resulted in an increase in the Pollution, and Balance of Account liabilities, partially offset by reductions in US Asbestos. In addition, reserves were reduced owing to the strengthening of Sterling against the US Dollar during the year.

Because of the uncertainties inherent in the Group's liabilities, there are many assumptions and estimation techniques which individually could have a material impact on the amount of liabilities and the related reinsurance assets. Actual experience will often vary from these assumptions, and any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified. The provision for claims outstanding is based upon actuarial and other studies of the ultimate cost of liabilities including exposure based and statistical estimation techniques.

Significant delays occur in the notification and settlement of certain claims, and a substantial measure of experience and judgment is involved in making the assumptions for assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the balance sheet date. The gross provision for claims outstanding and related reinsurance recoveries is estimated on the basis of information currently available.

The provision for claims outstanding includes significant amounts in respect of notified and potential IBNR claims for long tail liabilities. The settlement of these claims is not expected to occur for many years, and there is considerable uncertainty as to the amounts at which they will be settled.

Where a claim is disputed, the validity of the claim is ultimately an issue that can only be determined by the courts. The provisions for disputed claims are based on the Group's view as to the expected outcomes of such court decisions.

Uncertainty is further increased because of the potential for unforeseen changes in the legal, judicial, technological or social environment, which may increase or decrease the cost, frequency or reporting of claims, and because of the potential for new sources or types of claim to emerge.

**A3 Investment Performance in 2021**

Investments are invested in variable yield securities, debt securities and other fixed interest securities.

The Group has two investment portfolios to support the solvency capital requirements of both;

iii) EQL under the less onerous Non Solvency II rules of the PRA rule book,
iv) and EIL to support the capital requirements under the solvency II regime.

The mandate for the external fund manager requires a minimum investment quality and places restrictions on the level of exposure with each counterparty.

The Group has no exposure to derivatives or currency hedging risks.

The estimated fair value of these investments held by the Group as at 31 March 2021 was £82,271k (2020 £79,963k) (EIL £38,759k; 2020 £37,116k). For the year ended 31 March 2021, the Group reported an investment return gain of £2,791k (2020 £1,038k gain), with associated investment management fees of £67k (2020 £137k) (EIL: £1,279k income less £31k fees; 2020 £450k income less £57k fees).

The EHL Board of Directors is satisfied with the 2021 performance of the Group.

| | **Solo** | **Group** |
|---|---|---|
| | **£'000** | **£'000** |
| Income from Investments | 700 | 1,502 |
| Unrealised gain | 607 | 1,349 |
| Realised loss | (28) | (60) |
| Total Investment return | 1,279 | 2,791 |

## A4 Performance of Other Activities

The Group does not undertake any other activities other than the orderly run-off of Claims provisions. Administration expenses for the Group for the year ended 31 March 2021 were £1,166k (2020 £1,149k) for the Group, EIL £1,966k (2020 £1,882k) for EIL including sub-ordinated Loan interest £930k (2020 £895k).

## A5 Any Other Material Information

The information presented in section A is extracted from the Financial Statements and provides a complete view of the business and performance of the Company during the period.

### COVID-19

The World Health Organisation declared a pandemic in relation to the Novel Coronavirus (COVID-19) on 11 March 2020. On 18 March 2020 in response to the pandemic, RMSL announced that employees were to work from home for the foreseeable future. The outbreak is continuing to cause unprecedented social disruption, and global economic and financial markets volatility. The current operational focus is on keeping people healthy, business continuity management and operational resilience.

### Operational resilience

Individuals are in continued contact with each other through the use of technology. We are confident we have systems and processes are in place to ensure that we continue to deliver a high level service and responsiveness.

### Stress and sensitivity testing analysis

Management continue to review the Group and Company's assets to determine any potential impact the COVID-19 pandemic may have on their value and recoverability. Management consider the value ascribed to the Company's assets on the balance sheet to remain appropriate as the impact of COVID-19 is deemed to be minimal. In particular the financial strength of National Indemnity continues to remain high.

There is no other material information relating to business and performance

# B. SYSTEM OF GOVERNANCE

## B1 General information on the System of Governance

Ownership

Equitas Holdings Limited is owned by the Equitas Trust. The current Trustees are Messrs ME McL Deeny (Chairman), DES Shipley, RB Spooner and Sir Adam Ridley.

The Corporation of Lloyd's owns the one deferred share in the capital of EHL, which carries the right to appoint one Director.

Board

EHL and its wholly-owned subsidiaries are run by a common Board of Directors. Meetings are normally held on a quarterly basis with additional meetings scheduled as required.

Board members at 31 March 2021 were:

| | | |
|---|---|---|
| David Shipley | - | Chairman and Trustees' Nominated Director |
| Jeremy Heap | - | Chief Executive Officer |
| Jane Barker | - | Non-executive Director |
| Glenn Brace | - | Non-executive Director |
| Michael Deeny | - | Trustees' Nominated Director |
| Peter Spires | - | Lloyd's Nominated Director |
| Sir Adam Ridley | - | Trustees' Nominated Director |
| Richard Spooner | - | Trustees' Nominated Director |

The Board meets regularly to receive the operational reports for the Group from RMSL relating to the run-off activities, monitor the investment portfolio, deal with regulatory matters and handle any other corporate business.

Whilst the 4 main key Governance functions of Risk Management, Internal Control, Compliance and Actuarial are all outsourced to RMSL, full responsibility remains with the Group Board and is exercised by direct oversight by the Group Chief Executive Officer (CEO). All functions have the necessary authority, resources, and operational independence to carry out their tasks and to report to and advise the management body. These functions and reporting procedures are applied consistently across the Group, and the CEO satisfies himself that the resources applied are appropriate.

Furthermore, the CEO is a member of the RMSL Audit committee.

The only committee of the Board is an audit committee, since all other matters are brought to the attention of the whole Board. The Equitas Holdings Audit committee is chaired by Mr DES Shipley, all members of the board are members of the Audit committee with the exception of the CEO.

Directors' remuneration is on a fixed fee basis which is reviewed annually by the Board.

Risk Management, Internal Control systems and reporting procedures are applied consistently across the Group.

The CEO undertakes an annual assessment of the adequacy of the above system of governance.

Key responsibilities of the Board include:

1. Determining the strategic direction of the Group and to define Risk Appetite.
2. Ensuring that the Group has a suitably resourced system of Compliance and Independent Review and to monitor the adequacy of its operation.
3. Ensuring that the Group Treats Customers Fairly and has adequate systems to address Financial Crime risks.
4. Ensuring that the Group is compliant with all relevant legislation. This includes PRA & FCA and applicable overseas Insurance Regulations and Codes of Practice.
5. Preparing an ORSA report (Forward Looking Assessment of Own Risks in accordance with the Own Risk and Solvency Assessment principles)
6. Ensuring the System of Governance remains appropriate.

The Board is satisfied that the Group's system of governance is appropriate and effective, taking into account the nature, scale and complexity of the risks inherent in the Group's business.

**B2 Fit and Proper Requirements**

The Group has a policy which sets out the procedures to ensure that all those undertaking controlled functions on behalf of the company are and remain fit and proper to carry out those functions.

These procedures ensure that the CEO

- meets the requirements of the Regulators' 'fit and proper' test and follow its principles;
- complies with the Statement of Responsibilities; and
- reports anything that could affect their on-going suitability.

The following factors are taken into account when deciding whether an individual is fit and proper:

- their honesty, integrity and reputation;
- their competence and capability; and
- their financial soundness.

Fitness and propriety checks are made by the Board before an individual is appointed to carry out a controlled function, to ensure that they have the appropriate skills, knowledge & expertise.

**B3 Risk management system including the own risk and solvency assessment**

The Group remains exposed to financial risk through its reinsurance assets, financial assets and liabilities. The Group recognises the importance of having efficient and effective risk management systems in place to identify, manage and monitor those risks. EHL has developed a risk register which is considered by the Board at each of its meetings.

The key business strategy for EHL was encapsulated in the decision to purchase the whole account run off reinsurance from National Indemnity Company and to transfer the day-to-day management of the claims' run-off and the collection of the reinsurances to RMSL. EHL therefore takes few business decisions in respect of the run off while the National Indemnity contract is operating properly and valid claims are being paid.

The Equitas Group continues close oversight of this Outsource by the Group CEO working closely with the RMSL Senior management.

The contract with National Indemnity is specific on the triggers at which EHL must commence taking key business decisions. The Board review regularly whether any protections in the contract with National Indemnity have been or should be triggered.

**Own Risk and Solvency Assessment (ORSA)**

EHL has developed an "Own Risk and Solvency Assessment" (ORSA) process. It is an on-going process that produces an ORSA Report (being a Forward Looking Assessment of Own Risks or "FLAOR") at least annually, both at Group and Insurer level. The process and report are central to the management of risk, and monitoring capital requirements and availability, and is executed by the Group CEO's close interaction with RMSL Senior management.

The ORSA is a continuing process and the ORSA Report will normally be produced annually and presented to the Board for their review, challenge and approval.

The report will be updated at other times for the following defined events:

- Significant changes in the assessment of gross provisions
- Downgrade of National Indemnity rating;
- Significant change to investment strategy

**B4 Internal Control System**

Internal controls are implemented to control risk. All internal controls are efficiently designed to achieve the required level of control in a cost–effective manner.

Internal controls are required where the inherent risk is in excess of the agreed risk appetite. Internal controls that are required to reduce the residual risk to the agreed risk appetite are defined as key controls. Controls required for regulatory purposes are identified as such.

As noted above the responsibility for running off the claims and collection of the reinsurances falls to RMSL and they have put in place an internal control system for their operations in relation to the Equitas business they manage.

RMSL Internal controls are identified with a defined owner responsible for maintenance of the control.

RMSL Internal controls are fully documented. The documentation includes:

- description of the control
- control category – preventative/detective/corrective
- control type – manual/ automatic/organisational
- control owner
- risks mitigated by control, and control importance relative to risks (key control/supplementary control)
- whether control is a regulatory requirement and applicable regulation
- explanatory note regarding control operation
- for detective controls – identification of control performer; definition of control frequency; documentation requirement for evidence of control performance

Internal control performance is recorded in the Risk Management and Internal Control System. There is a quarterly management report to the RMSL risk committee reporting control performance.

Internal controls are subject to verification of control operation and existence by the RMSL Chief Compliance Officer and RMSL Head of Group Internal Audit.

**Compliance Function**

The CEO is responsible for Equitas compliance. The Compliance Function within Resolute Management Services Ltd provides full compliance support to ensure that Equitas complies with all laws and the regulatory framework applicable to the Group. The compliance function also provides advice to the Board and the business on all regulatory requirements and monitors compliance with:

- Licencing and other arrangements
- Fair treatment of customers
- Managing the risk of financial crime including applicable sanctions compliance
- Oversight of outsourced arrangements with third parties
- Regulatory Reporting
- Data protection
- Training
- Complaint handling

Quarterly reporting on compliance activities is provided to the CEO, who will escalate to the full board any compliance failures when identified.

**B5 Internal Audit Function**

The function of Internal Audit is to provide independent, objective assurance. RMSL's operations are assessed by their Internal Audit team to evaluate and improve the effectiveness of risk management, control and governance processes.

Reporting directly to the Chair of the RMSL Audit Committee, the RMSL Head of Group Internal Audit operates independently from the business and has unrestricted access to all activities undertaken in RMSL, in order to review, appraise and report on:

- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
- The extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- The extent to which adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify measure, classify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the organisation's strategic goals;
- The suitability of the organisation of the units audited for carrying out their functions, and to report where services are provided in a way which is economical, efficient and effective;
- Recommendation of the follow-up action required to be taken to remedy weaknesses identified by Internal Audit review including monitoring completion against the required resolution date, and, ensuring that good practice is identified and communicated widely;
- Preparation of an annual audit plan and submission of the plan for review and approval to the RMSL Audit committee;
- Carrying out the approved audit plan and reporting to the RMSL Audit committee;
- Reporting to the RMSL Audit and Risk Committee at least annually on:-
  a. Assessments of the adequacy and effectiveness of RMSL's systems of risk management and internal control based on the work of Internal Audit;
  b. Reporting significant issues related to the processes for controlling RMSL's activities, including potential improvements to those processes, and provide information concerning such issues through to resolution; and
  c. Providing periodic information on the status and results of the annual audit plan and the sufficiency of Internal Audit resources.

The CEO of Equitas Holdings Limited is a member of the RMSL Audit committee.

## B6 Actuarial Function

RMSL has developed an Actuarial Team that specialises in the assessment and reserving of companies in run-off that are managed by Resolute.

The actuarial function engages with the Board, regulators, and auditors to ensure that the risks that the group faces are well understood and reflected in the analysis performed as part of the reserving processes.

Principal responsibilities of the Actuarial Function are:

- Advising the Board on the appropriate level of provisions.
- To keep the group updated with significant reserving related developments throughout the year.
- To undertake the calculation of the technical provisions of the group and explain any material changes in data, methodologies or assumptions between valuation dates.
- The provision of actuarial information to the business as required including into Solvency II Pillar 3 Reporting.

## B7 Outsourcing Arrangements

Outsourcing is an arrangement where an Outsource Provider is appointed to perform particular activities which would otherwise be undertaken by staff directly employed by the company. The Company employs only one member of staff. By virtue of the reinsurance contract between the Equitas Group and National Indemnity, the day to day operations are undertaken by RMSL, a member of the Berkshire Hathaway Group. RMSL is a UK company. This can be considered to be a form of outsourcing although it arises from the reinsurance transaction rather than separate outsource agreement.

There are some items that fall outside the remit of the reinsurance contract, but the great majority of the activities fall within its remit. One of the key responsibilities of the Chief Executive is to monitor the operation of the run-off to ensure that it is being managed appropriately in accordance with the contract. Whilst the remaining cover is significantly greater than the liabilities, the financial risk lies with National Indemnity, and so by virtue of the contractual agreement, the ability to control the day to day operations is very limited. It is a requirement of the contract that a financial report is prepared by RMSL each quarter which is presented to the board of EHL. Members of Resolute attend parts of the EHL board meeting to present their report and answer questions, thus the board is not reliant on the Chief Executive as their sole source of information.

The Equitas Group does have the right to consider certain claims, reinsurance and commutation transactions when they are of a significant size and they are with a counterparty that is related to the Berkshire Hathaway group. The definition of such related party activities is very widely drawn.

There are other activities which do not fall under the reinsurance contract where EHL has chosen to outsource these activities, some of them to RMSL and others to third parties.

RMSL provide the following services to the Equitas Group (EHL):

1. Keeping and maintaining accounting records which are sufficient to show and explain the EHL transactions and disclose with reasonable accuracy (at any time) the financial position of EHL to enable the Directors to ensure that the EHL balance sheet and profit and loss are properly prepared.
2. Preparing (subject to the approval of the Board) annual reports and accounts and providing the Board with any or all information, explanations and assistance as they may require in connection with the accounts of EHL.
3. Reviewing and finalising quarterly management accounts as reasonably required by EHL.
4. Providing the auditors with any or all information, explanations and assistance as they may require in connection with auditing the accounts of EHL.
5. Supplying internal audit services as may be required by EHL from time to time.
6. Preparing and submitting returns to the regulators on behalf of EHL and dealing with all matters relating to the preparation and submission of such returns.
7. Providing premises and information technology.

The Chief Executive is responsible for the oversight of the services provided by RMSL.

Investment Management is outsourced to New England Asset Management Ltd. (NEAM), based in London. The investment mandate is established by the Board, with any changes to the mandate and applied by NEAM. Furthermore, NEAM's compliance to the investment mandate is independently verified by RMSL Finance.

NEAM is not permitted to use derivative financial instruments. The portfolios are held to invest the long term on-going capital reserves of the Group to meet the operating costs of the Group.

Entering into an outsource arrangement does not relieve the Board of its responsibility for the outsourced activity.

**B8 Any Other Information**

There is no other material information relating to the system of governance for the Equitas Group.

# C. RISK PROFILE

The Group distinguishes between Strategic Risks and Operating Risks as the management of these risks have different characteristics.

Strategic Risks involve both risk and reward. In the context of the Group these are essentially Insurance Risk, Market Risk, Reinsurer Credit Risk, and Market Risk.

**Analysis of Risk Profile (As per Form S.25.01)**

**EIL Solo basis and EHL Group basis, as at 31 March**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | EIL Solo | EHL Group | EIL Solo | EHL Group |
| | £000s | £000s | £000s | £000s |
| Insurance Risk | 22,785 | 22,785 | 29,905 | 29,905 |
| Market Risk | 29,283 | 23,664 | 33,891 | 29,320 |
| Counterparty default Risk | 63,244 | 63,250 | 75,079 | 75,108 |
| Diversification Credit | (25,613) | (23,052) | (31,011) | (28,922) |
| **Basic SCR** | 89,699 | 86,647 | 107,864 | 105,411 |
| Operational Risk | 26,909 | 25,994 | 32,360 | 31,623 |
| **Final Standard Formula SCR** | 116,608 | 112,641 | 140,224 | 137,034 |
| **MCR** | 29,152 | 29,152 | 35,056 | 35,056 |

### C1 Insurance Risk (Underwriting Risk)

The group is in run-off and considers insurance risk within its general insurance activity to be the management of claims and the adequacy of reserving. The risk relates to the inherent uncertainty around the level of provisions held. Actuarial claims reserving is conducted by RMSL on a prudent basis such that provisions are more likely to be overstated rather than understated, however there remains a reasonable possibility that the final outcome will show that provisions are understated and possibly by a material margin. The additional reinsurance protection purchased by the group provides substantial protection $4,034 (2020 $4,367) in excess of current gross liabilities $6,036 (2020 $6,063) The exchange rates use to calculate the cover are fixed at the rates prevailing on 31st March 2006 in accordance with the reinsurance contract. The adequacy of the Company's provisions is overseen by the Board.

## C2 Market Risk

Market Risk is the risk of an adverse financial impact because of changes in future cash flows of financial instruments owing to fluctuations in interest rates and market prices. The Company's investment strategy is conservative to ensure that investments are managed in accordance with the prudent persons principle. The mandate for the external fund manager (NEAM) places controls over investment quality and restricts the level of exposure to each non-government counterparty. The Company has no off-balance sheet transactions.

The assets bearing credit risk are summarised below, together with an analysis by credit rating.

| | Solo | | Group | |
|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Debt securities and other fixed interest securities. | 38.8 | 36.8 | 82.7 | 79.3 |
| Cash at Bank and in hand | 0.2 | 0.9 | 0.7 | **2.6** |
| | **39.0** | **37.7** | **83.4** | **81.9** |
| AAA | 10.6 | 10.6 | 22.4 | 23.0 |
| AA | 8.5 | 8.4 | 17.3 | 18.6 |
| A | 13.9 | 14.3 | 30.5 | 30.2 |
| BBB | 5.8 | 4.4 | 12.5 | 10.1 |
| Not rated | 0.2 | 0.0 | 0.7 | 0.0 |
| | **39.0** | **37.7** | **83.4** | **81.9** |

### Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated with interest rates, liabilities to policyholders are subject to interest rate risk.

The Group holds fixed interest securities in its investment portfolios managed by NEAM whose performance is closely monitored. There is some restriction imposed on the duration of the portfolios. An increase or decrease of 100 basis points in interest yields would have an impact of approximately Group £1.7 million, EIL £0.8 million on the value of the portfolio.

The Group monitors claims inflation as part of its actuarial assessments. The additional reinsurance protection purchased by the Group mitigates this risk to a substantial degree.

## C3 Reinsurer Credit Risk

Reinsurer Credit Risk is the risk of loss in the financial assets due to counterparties failing to meet all or part of their obligations.

Reinsurance remains in force from the syndicates pre-1993, the reinsurance contract with National Indemnity (NICO) includes all the credit risks for this original reinsurance hence the Group only considers the NICO contract in relation to credit risk.

In the event of significant adverse claims experience, the Group is highly reliant on the ability of its reinsurer, National Indemnity Company (National Indemnity) to respond. Based on year end available figures, National Indemnity reported surplus assets of US$188bn and total assets of US$317bn and is rated AA+ by S&P rating agency.

To manage the Group's risk in this area, the Group is entitled to require National Indemnity to post a letter of credit or to establish a trust fund equal to 102% or 125% of its net liabilities under the agreement (providing that this does not exceed the reinsurance cover purchased) plus estimated operating expenses, if National Indemnity's rating drops below Standard and Poor's AA- or A- ratings, respectively.

However, it should be noted that we are unable to recognise NICO's collateralisation obligations within the standard formula calculation of Counterparty default Risk, hence this is a significant component of the SCR.

## C4 Liquidity Risk

Liquidity risk is the risk that the Group cannot meet its obligations associated with financial liabilities as they fall due. The Group manages its liquidity in order to maintain sufficient financial resources to meet obligations as they fall due. A portion of the Group's resources that would cover several months' expenses is retained in readily realisable bank and money market deposits and thus liquidity risk is low. National Indemnity is responsible for settling insurance claims as they become due.

Given that liquidity is not a material risk for the Group, no specific risk sensitivity is provided.

Furthermore, as the Group has no premium income, the Expected Profit on Future premium is £nil.

## C5 Operational Risk

Operational Risk is the risk of an adverse financial impact owing to being in business and can arise from the operation's people, processes, and systems. Reliance is placed on the Chief Executive and the Company Secretary to provide oversight of each other's actions. RMSL has issued a procedures and controls document for the activities it undertakes.

## C6 Other Material Risks

There are no other material risks.

## C7 Stress testing and sensitivity analysis

As the group is in run-off, management also considers the capital requirement to a confidence level of 97.5% to ultimate. This is considered managements' Own Economic Capital Requirement and this gives management an additional view of the Risk Profile. As shown below, managements' Own Economic Capital Requirement at 31st March 2021 is £466m, which greatly exceeds available own funds. Given the OECR is evaluated on a "to ultimate" basis, when comparing against available own funds we exclude the Risk Margin. This is because in the ultimate, once all insurance liabilities are extinguished, the Risk Margin will be nil.

The models used to calculate best estimate provisions and capital requirements are based on a number of parameter assumptions. Sensitivity analyses are performed on these models. This informs management regarding the more sensitive parameters. These sensitivity exercises are undertaken for both managements' assessment of the OECR and for the Solvency II regulatory capital requirement.

## Key results of Stress testing

Analysis shows that Insurance Risk is material. The most sensitive parameter assumptions are those that determine the distribution of gross insurance losses, since more variable distribution assumptions lead to a larger simulated probability that the NICO cover exhausts, leading to a larger net best estimate, lower available funds and larger OECR.

In the sensitivity runs, higher/lower loss variability is modelled by making a 10% addition/reduction in absolute terms to the coefficients of variation underlying the distribution of gross insurance losses, by reserving class. Higher/lower correlation between classes is modelled by making a 10% addition/reduction in absolute terms to the correlations between gross insurance losses for different reserving classes.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Sensitivity | Available own funds excluding risk margin £000s | OECR (Ultimate basis) £000s | Available own funds excluding risk margin £000s | OECR (Ultimate basis) £000s |
| Base, selected | 12,516 | 465,605 | -8,048 | 540,724 |
| Higher loss variability | -26,160 | 1,045,232 | -59,989 | 1,372,838 |
| Lower loss variability | 37,930 | 7,427 | 25,950 | 4,515 |
| Higher correlation between classes | 1,006 | 669,396 | -20,592 | 765,989 |
| Lower correlation between classes | 23,281 | 252,405 | 4,545 | 283,818 |

Another well informed actuary with access to the same underlying information may well regard either our 'Higher loss variability' scenario or our 'Lower loss variability' scenario as their preferred best estimate. Our selected best estimate sits in the middle of what we would regard as a range of reasonable best estimates. This highlights the materiality of Insurance Risk and an unavoidable limitation in the analysis. For example, on our selected assumptions there is a £453m deficit between the OECR of £466m and the available own funds (excluding risk margin) of £13m. With 'Higher loss variability' this widens significantly to a deficit of £1,071m between the OECR of £1,045m and the available own funds (excluding risk margin) of -£26m. But with 'Lower loss variability' this improves significantly to a surplus of £31m of available own funds (excluding risk margin) of £38m over the the OECR of £7m.

The analysis also demonstrated that Reinsurer Credit Risk is not material. This is due to the mitigating effect of the collateral arrangements within the NICO reinsurance contract, which we are unable to recognise in our standard formula SCR calculation, but do recognise in our OECR assessment.

Scenario testing is also undertaken based on a number of management defined scenarios which are applied and reported for ultimate best estimate. The scenarios are by definition considered to be adverse, and potentially extreme, events and therefore a representation of the circumstances that may apply and prompt one of the adverse scenarios in the capital modelling; they are used to help contextualise extreme outcomes projected by modelling.

**Material Risk concentrations**

With reference to the Group's Risk profile above, the most material risk concentration arises within the Counterparty default risk measure, and is due to the fact that all Reinsurer Credit Risk relates to the NICO contract. However this risk is greatly reduced by the collateral obligations within the contract.

There are no material risks concentrations within the Insurance, Market or Operational Risks.

**Risk Profile**

There are no material changes to the risk profile.

# D. VALUATION FOR SOLVENCY PURPOSES

The details of the Group's Assets and Liabilities as at 31 March 2021 are disclosed in the table below, along with the valuations adjustments between UK GAAP and the Solvency II equivalents.

The equivalent table for Equitas Insurance Limited (Solo) is also presented below.

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities other than technical provisions are measured in accordance with principles of an arm length transaction between knowledgeable willing parties using consistent valuations methods.

| **Equitas Holdings Limited Group**<br><br>**Solvency II Balance Sheet as at 31 March 2021, £000** | **Notes** | **UK GAAP** | **Reclass'n Adj's** | **Solvency II Value Adjustments** | | **Solvency II** |
|---|---|---|---|---|---|---|
| | | | | **Technical Provisions** | **Other** | |
| **Assets** | | | | | | |
| **Total Investments** | | **82,721** | **740** | | | **83,461** |
| Government Bonds | 1 | 16,662 | 88 | | | 16,750 |
| Corporate Bonds | 1 | 66,059 | 652 | | | 66,711 |
| Collateralised Securities | 1 | 0 | | | | 0 |
| Collective Investment Undertakings | 1 | 0 | | | | 0 |
| Derivatives | 3 | 0 | | | | 0 |
| Deposits other than cash equivalents | 1 | 0 | | | | 0 |
| **Reinsurance Recoverables** | **2** | **4,215,444** | | **(568,735)** | | **3,646,709** |
| Non-life excluding health | | 4,155,804 | | (560,322) | | 3,595,482 |
| Health similar to non-life | | 59,640 | | (8,413) | | 51,227 |
| **Cash and cash equivalents** | 1 | **667** | | | | **667** |
| **Other assets** | 1 | **926** | **(740)** | | | **186** |
| **Total Assets** | | **4,299,758** | | **(568,735)** | | **3,731,023** |
| | | | | | | |
| **Liabilities** | | | | | | |
| **Total Non-Life Technical Provisions** | | **4,215,444** | | **(450,540)** | | **3,764,904** |
| Technical provisions – non-life excluding health | 4 | 4,155,804 | | **(443,774)** | | 3,712,030 |
| Best Estimate | 4 | | | | | 3,666,056 |
| Risk margin | | | | | | 45,974 |
| Technical provisions - health (similar to non-life) | | 59,640 | | **(6,766)** | | 52,874 |
| Best estimate | 4 | | | | | 52,224 |
| Risk Margin | 4 | | | | | 650 |
| **Derivatives** | 3 | **0** | | | | **0** |
| **Other liabilities** | 5 | **227** | | | | **227** |
| **Total Liabilities** | | **4,215,671** | | **(450,540)** | | **3,765,131** |
| | | | | | | |
| **Excess of Assets over Liabilities** | | **84,087** | | **(118,195)** | | **(34,108)** |

| **Equitas Holdings Limited Group**<br>**Solvency II Balance Sheet as at 31 March 2020, £000** | **Notes** | **UK GAAP** | **Reclass'n Adj's** | **Solvency II Value Adjustments** | | **Solvency II** |
|---|---|---|---|---|---|---|
| | | | | **Technical Provisions** | **Other** | |
| **Assets** | | | | | | |
| **Total Investments** | | **79,334** | **629** | | | **79,963** |
| Government Bonds | 1 | 18,843 | 81 | | | 18,923 |
| Corporate Bonds | 1 | 60,490 | 549 | | | 61,039 |
| Collateralised Securities | 1 | 0 | | | | 0 |
| Collective Investment Undertakings | 1 | 0 | | | | 0 |
| Derivatives | 3 | 0 | | | | 0 |
| Deposits other than cash equivalents | 1 | 0 | | | | 0 |
| **Reinsurance Recoverables** | **2** | **4,620,109** | | **(311,119)** | | **4,308,990** |
| Non-life excluding health | | 4,533,212 | | (305,089) | | 4,228,124 |
| Health similar to non-life | | 86,897 | | (6,030) | | 80,867 |
| **Cash and cash equivalents** | 1 | **2,583** | | | | **2,583** |
| **Other assets** | 1 | **780** | **(629)** | | | **150** |
| **Total Assets** | | **4,702,805** | | **(311,119)** | | **4,391,687** |
| | | | | | | |
| **Liabilities** | | | | | | |
| **Total Non-Life Technical Provisions** | | **4,620,109** | | **(155,354)** | | **4,464,755** |
| Technical provisions – non-life excluding health | 4 | 4,533,212 | | **(152,285)** | | 4,380,927 |
| Best Estimate | 4 | | | | | 4,316,914 |
| Risk margin | | | | | | 64,013 |
| Technical provisions - health (similar to non-life) | | 86,897 | | **(3,069)** | | 83,828 |
| Best estimate | 4 | | | | | 82,587 |
| Risk Margin | 4 | | | | | 1,241 |
| **Derivatives** | 3 | **0** | | | | **0** |
| **Other liabilities** | 5 | **234** | | | | **234** |
| **Total Liabilities** | | **4,620,343** | | **(155,354)** | | **4,464,989** |
| | | | | | | |
| **Excess of Assets over Liabilities** | | **82,462** | | **(155,765)** | | **(73,302)** |

| **Equitas Insurance Limited Solo**<br>**Solvency II Balance Sheet as at 31 March 2021, £000** | **Notes** | **UK GAAP** | **Reclass'n Adj's** | **Solvency II Value Adjustments** | | **Solvency II** |
|---|---|---|---|---|---|---|
| | | | | **Technical Provisions** | **Other** | |
| **Assets** | | | | | | |
| **Total Investments** | | **87,392** | **344** | | | **87,736** |
| Holdings in related undertakings | | 48,634 | | | | 48,634 |
| Government Bonds | 1 | 8,425 | 45 | | | 8,470 |
| Corporate Bonds | 1 | 30,333 | 299 | | | 30,632 |
| Collateralised Securities | 1 | 0 | | | | 0 |
| Collective Investment Undertakings | 1 | 0 | | | | 0 |
| Derivatives | 3 | 0 | | | | 0 |
| Deposits other than cash equivalents | 1 | 0 | | | | 0 |
| **Reinsurance Recoverables** | 2 | **4,215,444** | | **(568,735)** | | **3,646,709** |
| Non-life excluding health | | 4,155,804 | | (560,322) | | 3,595,482 |
| Health similar to non-life | | 59,640 | | (8,413) | | 51,227 |
| **Cash and cash equivalents** | 1 | **238** | | | | **238** |
| **Other assets** | 1 | **344** | **(344)** | | | **0** |
| **Total Assets** | | **4,303,418** | | **(568,735)** | | **3,734,683** |
| | | | | | | |
| **Liabilities** | | | | | | |
| **Total Non-Life Technical Provisions** | | **4,215,444** | | **(450,540)** | | **3,764,904** |
| Technical provisions – non-life excluding health | 4 | 4,155,804 | | (443,774) | | **3,712,030** |
| Best Estimate | 4 | | | | | 3,666,056 |
| Risk margin | | | | | | 45,974 |
| Technical provisions - health (similar to non-life) | | 59,640 | | (6,766) | | **52,874** |
| Best estimate | 4 | | | | | 52,224 |
| Risk Margin | 4 | | | | | 650 |
| **Derivatives** | 3 | **0** | | | | **0** |
| **Sub-Ordinated Loans** | 5 | **23,750** | | | | **23,750** |
| **Other liabilities** | 5 | **10,053** | | | | **10,053** |
| **Total Liabilities** | | **4,249,247** | | **(450,540)** | | **3,798,707** |
| | | | | | | |
| **Excess of Assets over Liabilities** | | **54,171** | | **(118,195)** | | **(64,024)** |

| Equitas Insurance Limited Solo<br>Solvency II Balance Sheet as at 31 March 2020, £000 | Notes | UK GAAP | Reclass'n Adj's | Solvency II Value Adjustments | | Solvency II |
|---|---|---|---|---|---|---|
| | | | | Technical Provisions | Other | |
| **Assets** | | | | | | |
| **Total Investments** | | **84,032** | **292** | | | **84,324** |
| Holdings in related undertakings | | 47,208 | | | | 47,208 |
| Government Bonds | 1 | 8,602 | 38 | | | 8,640 |
| Corporate Bonds | 1 | 28,222 | 254 | | | 28,476 |
| Collateralised Securities | 1 | 0 | | | | 0 |
| Collective Investment Undertakings | 1 | 0 | | | | 0 |
| Derivatives | 3 | 0 | | | | 0 |
| Deposits other than cash equivalents | 1 | 0 | | | | 0 |
| **Reinsurance Recoverables** | 2 | **4,620,109** | | **(311,119)** | | **4,308,990** |
| Non-life excluding health | | 4,533,212 | | (305,089) | | 4,228,124 |
| Health similar to non-life | | 86,897 | | (6,030) | | 80,867 |
| **Cash and cash equivalents** | 1 | **945** | | | | **945** |
| **Other assets** | 1 | **292** | **(292)** | | | **0** |
| **Total Assets** | | **4,705,378** | | **(311,119)** | | **4,394,260** |
| | | | | | | |
| **Liabilities** | | | | | | |
| **Total Non-Life Technical Provisions** | | **4,620,109** | | **(155,354)** | | **4,464,755** |
| Technical provisions – non-life excluding health | 4 | 4,533,212 | | (152,285) | | **4,380,927** |
| Best Estimate | 4 | | | | | 4,316,914 |
| Risk margin | | | | | | 64,013 |
| Technical provisions - health (similar to non-life) | | 86,897 | | (3,069) | | **83,828** |
| Best estimate | 4 | | | | | 82,587 |
| Risk Margin | 4 | | | | | 1,241 |
| **Derivatives** | 3 | **0** | | | | **0** |
| **Sub-Ordinated Loans** | 5 | **22,820** | | | | **22,820** |
| **Other liabilities** | 5 | **9,017** | | | | **9,017** |
| **Total Liabilities** | | **4,651,946** | | **(155,354)** | | **4,496,592** |
| | | | | | | |
| **Excess of Assets over Liabilities** | | **53,432** | | **(155,765)** | | **(102,333)** |

## D1 Assets

### Note 1 For Solvency II valuation purposes:

**Investments**

Bonds and collateralised securities are valued at the quoted market price plus the value of accrued interest due as at the balance sheet date and therefore requires a reclassification transfer from UK GAAP. All investments are individually assessed against publicly-available market sources to assess and confirm that they remain actively traded.

Money Market Funds – Money market funds are valued at the quoted market price as at the balance sheet date.

Deposits other than cash equivalents – Deposits are valued at the value of the deposit as at the balance sheet date.

**Cash and cash equivalents**

Cash and cash equivalents are valued at fair value as at the balance sheet date.

Investments valued on a Solvency II basis include accrued interest income which is included in other debtors on a UK GAAP basis.

Overall these adjustments have nil impact on the valuation of the Assets, and are simply reclassifications for Solvency II Reporting.

**Other assets**

Trade Receivables (not insurance) are valued at fair value as at the balance sheet date. These include Accrued Interest on Investments on the UK GAAP valuation, with this being re-allocated to the Investments themselves on the Solvency II valuation basis.

Holdings in related undertakings are in respect of non-Solvency II administered subsidiaries, and:-

> For Group – these are removed upon consolidation for both the UK GAAP and Solvency II reporting purposes;
>
> For EIL – these are valued at Net Asset Valuation for both the UK GAAP and Solvency II reporting purposes.

**Note 2 For Solvency II valuation purposes:-**

**Reinsurance recoverable**

Reinsurance Recoverable – Solvency II values are calculated by applying the National Indemnity cover to the best-estimate gross claims; as opposed to the book (i.e. prudent) gross claims reported in the statutory accounts. The Solvency II values are also discounted; whereas the statutory values are not.

Solvency II values are calculated using a stochastic model to determine the expected net loss to Equitas in excess of the National Indemnity cover and therefore determine a best estimate for reinsurance recovery.

## D2 Technical Provisions

**Note 3 For Solvency II valuation purposes:**

With reference to the Solvency II Balance Sheets for EHL Group and EIL Solo on pages **30 to 33** the required Solvency II adjustments are as follows:

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Discounted Claims' Best Estimate | 36,436 | 47,402 |
| Expense | 28,599 | 32,898 |
| Bad Debt | 6,536 | 10,211 |
| Risk Margin | 46,624 | 65,254 |
| Total | 118,195 | 155,765 |

All of the figures are the same for both Group & Solo.

**Discounted Claims' Best Estimate** –On a GAAP basis it is assumed that under all reasonably foreseeable events claims will not be significant enough to exhaust the NICO reinsurance, hence GAAP net provisions are set to zero GBP on the basis of a point estimate. Solvency II (SII) requires technical provisions to reflect a best estimate of all possible outcomes. We use a Stochastic Model to simulate losses against the NICO reinsurance. In a small minority of simulations the NICO reinsurance exhausts, leading to an Undiscounted Net Best Estimate of £54,675k (2020 £55,138k). Risk free curves as specified by the PRA (no volatility adjustment) are applied within each simulation of the Stochastic Model to arrive at the discounted provisions. The Discounted Net Best Estimate SII provisions are £36,436k (2020 £47,402k).

All of the above figures are the same for both Group & Solo.

**Expenses** - The SII technical provisions include an allowance for expenses; both Reinsurance Run 0ff Expenses (ULAE) incurred by NICO and Corporate Expenses (non ULAE) incurred by the Equitas group. National Indemnity also provides significant aggregate cover for expenses, but a small amount is added to the SII technical provision to allow for exhaustion and Bad Debt of this expense cover. The total expense figures (excluding bad debt) added to the SII technical provision for Group was £34,786k (2020 £36,014k) undiscounted and £28,599k (2020 £32,898k) discounted.

All of the above figures are the same for both Group & Solo.

**Bad Debt** - the bad debt provision is an adjustment to take into account the potential losses owing to the default of the reinsurance counterparties. Although there is a contractual commitment by National Indemnity to collateralise their obligations should their rating published by Standard & Poors fall below AA-, the regulations do not allow us to take any credit for this in our SCR calculations. In addition, there are long-standing regulatory trust funds maintained in USA, Canada & Australia containing assets in excess of £2.1 billion (2020 £1.7 billion) which are available to pay the underlying claims in the event of default by National Indemnity. However, the SII regulations do not allow Equitas to take these into account in their SCR calculations. Perversely, the Technical Provisions for bad debt will likely improve if National Indemnity's credit rating falls, due to the collateral being additionally then provided.

Owing to the very low probability of the reinsurance not responding, for Solvency II valuation purposes the Bad Debt is £8,325k (2020 11,212k) undiscounted and £6,536k (2020 £10,211k) discounted.

All of the above figures are the same for both Group & Solo.

**Risk Margin -** the Risk Margin is calculated by first obtaining the Solvency Capital Requirement (SCR) using the standard formula calculation (excluding Market Risk). This is assumed to decrease over time in line with the net reserve and bad debt patterns obtained from the stochastic model. A 6% capital charge was then applied to each projected year and discounted using the PRA risk free rates.

The resulting risk margin was £46,624k for both Group & Solo (2020 Group & Solo £65,254k).

**Changes in valuation basis / assumptions**

There have been no changes to the recognition and valuations bases / relevant assumptions in the period.

**Uncertainty associated with the value of technical provisions**

Because of the uncertainties inherent in the Group's liabilities, there are many assumptions and estimation techniques which individually could have a material impact on the amount of liabilities and the related reinsurance assets. Actual experience will often vary from these assumptions, and any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified. The provision for claims outstanding is based upon actuarial and other studies of the ultimate cost of liabilities including exposure based and statistical estimation techniques.

Significant delays occur in the notification and settlement of certain claims, and a substantial measure of experience and judgment is involved in making the assumptions for assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the balance sheet date. The gross provision for claims outstanding and related reinsurance recoveries is estimated on the basis of information currently available.

The provision for claims outstanding includes significant amounts in respect of notified and potential IBNR claims for long tail liabilities. The settlement of these claims is not expected to occur for many years, and there is considerable uncertainty as to the amounts at which they will be settled.

Where a claim is disputed, the validity of the claim is ultimately an issue that can only be determined by the courts. The provisions for disputed claims are based on the Group's view as to the expected outcomes of such court decisions.

Uncertainty is further increased because of the potential for unforeseen changes in the legal, judicial, technological or social environment, which may increase or decrease the cost, frequency or reporting of claims, and because of the potential for new sources or types of claim to emerge.

## D3 Other Liabilities

Note 5 For Solvency II valuation purposes:-

**Sub-ordinated Loan with related undertaking** is valued at the fair value of the amount outstanding, being:-

> For Group – these are removed upon consolidation for both the UK GAAP and Solvency II reporting purposes;
>
> For EIL – these are valued at Net realisable valuation for both the UK GAAP and Solvency II reporting purposes, based on the cost of the loan plus the associated compound interest charged.

**Reinsurance payables** are valued at the fair value of the amount outstanding reduced by the bad debt provision where applicable. Owing to the short term nature of these amounts discounting is considered to be unnecessary.

Trade Payables (not insurance) are valued at fair value as at the balance sheet date.

## D4 Alternative Valuation Methods

The Group do not use any alternative valuation methods

## Changes in valuation basis / assumptions

There have been no changes to the recognition and valuations bases / relevant assumptions in the period.

## D5 Any Other Information

There is no other material information relating to the valuation for Solvency II purposes of the Group during the period.

# E. CAPITAL MANAGEMENT

Equitas Insurance Limited (EIL) is subject to the requirements of the Solvency II directive and Equitas Holdings Limited is required to report under Solvency II as the group holding company. EIL was formed under the less onerous capital requirements of Solvency I and the Group has no means of raising additional capital.

The Board has determined that it is appropriate to use the Solvency II Standard Formula to set the SCR Risk Capital for this company. We have used the Lloyd's standard formula template for our calculations, and this strategy has been approved by the Prudential Regulatory Authority. The Lloyd's standard formula template includes some simplifications in the calculations, which are either immaterial to or do not apply for Equitas.

**E1 Own Funds**

All Own Funds for the Group are Tier 1 funds and consist of ordinary share capital and retained earnings. All of these Tier 1 Funds are classed as unrestricted and of a high quality.

Own funds for Equitas Insurance Limited include a subordinated loan of £23,750 (2020 £22,820) subordinated loan from Equitas Holdings Limited, classified as Tier 2 capital. Interest of £930k (2020 £895k) has been rolled into capital during the year. The loan is available for as long as it is required by the Company.

Aside from the movement in the profit and loss account there has been no change in capital for either the Group or Equitas Insurance Limited.

All of these Basic Own Funds are available but insufficient to meet both the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR).

The details of the Group's Own Funds as at 31 March 2021 are disclosed in the Table below along with the differences between the Solvency II valuations and the UK GAAP equivalents. The Solvency II Net Assets along with the UK GAAP equivalent are also presented.

Given that there is no means of raising additional capital there is little that can be done in terms of managing own funds from a business planning perspective. On the Solvency II valuation the liabilities currently exceed the assets, giving negative own funds to meet the SCR. Our Own Risk and Solvency Assessment (ORSA) includes a Forward Looking Assessment of our technical provisions and capital requirements in future years. On the assumption that claims provisions do not deteriorate from our current best estimate, this Forward Looking Assessment shows that as liabilities develop and claims are paid, the likelihood of the NICO reinsurance exhausting should reduce over time, leading us to expect a decrease in Solvency II technical provisions. We expect own funds available to meet the SCR to have moved to a positive value within 5 years, so long as gross claims provisions do not deteriorate.

Available own funds to meet the SCR have increased by circa £39m between 31 March 2020 and 31 March 2021, and they remain negative. This increase is driven by a circa £38m decrease in the Solvency II valuation of liabilities. The £38m decrease in the Solvency II valuation of liabilities is largely attributable to an increase in the risk free yields used for discounting.

**Solvency II Own Funds and Net Assets with UK GAAP Equivalents**

| Equitas Holdings Limited Group | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Solvency II value £000** | **GAAP value £000** | **Solvency II value £000** | **GAAP value £000** |
| **Tier 1 Funds** | | | | |
| Called up share capital | - | - | - | - |
| Retained Earnings | - | 84,087 | - | 82,462 |
| Reconciliation reserve | (34,108) | - | (73,302) | - |
| **Net Assets (Excess Assets over Liabilities)** | **(34,108)** | **84,087** | **(73,302)** | **82,462** |
| Reconciliation difference | - | - | - | - |
| **Total available and eligible own funds to meet Group SCR** | **(34,108)** | **84,087** | **(73,302)** | **82,462** |
| **Total available and eligible gown funds to meet Minimum Consolidated Group SCR** | **(34,108)** | **84,087** | **(73,302)** | **82,462** |

| Equitas Insurance Limited | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Solvency II value £000** | **GAAP value £000** | **Solvency II value £000** | **GAAP value £000** |
| **Tier 1 Funds** | | | | |
| Called up share capital | 16,500 | 16,500 | 16,500 | 16,500 |
| Retained Earnings | - | 37,671 | - | 36,932 |
| Reconciliation reserve | (80,524) | - | (118,833) | - |
| **Net Assets (Excess Assets over Liabilities)** | **(64,024)** | **54,171** | **(102,333)** | **53,432** |
| **Tier 2 Funds** | | | | |
| Subordinated Loan | 23,750 | 23,750 | 22,820 | 22,820 |
| Reconciliation difference | - | | - | |
| **Total available and eligible own funds to meet Company SCR** | **(40,274)** | **77,921** | **(79,513)** | **76,252** |
| **Total available and eligible own funds to meet Company MCR** | **(40,274)** | **77,921** | **(79,513)** | **76,252** |

The reconciliation reserve represents the retained earnings on Solvency II basis including the difference between the Solvency II valuation of the balance sheet and the statutory valuations under current UK GAAP.

These valuations differences are highlighted within the tables in Section D. For both Group and Solo, these differences are the impact of the valuation changes of the Technical Provisions under the two bases, being £118,195k at 31 March 2021 (2020: £155,765k for Solo and for the Group). The table in Section E2 (below) provides more detail on the underlying valuation changes.

The Group does not have any ancillary own funds.

Own funds are not required to finance insurance claims payments (as these are paid directly by RMSL). and are invested in a bond portfolio managed by NEAM investment managers.

The Group does not have any significant restriction to the fungibility and transferability of own funds eligible to cover Group SCR.

## E2 Solvency Capital Requirement and Minimum Capital Requirement

The Group uses an accounting consolidation model for reporting purposes that includes all of the subsidiary companies listed in appendix 1.

Both EHL Group and EIL Solo use the Standard Formula as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them as appropriate. There is no Internal Modelling undertaken for either Group or Solo.

The Group's Solvency Capital Requirement (SCR) at 31 March 2021 was £112,641k (2020 £137,034k) and Minimum Consolidated Group SCR at 31 March 2021 was £29,152k (2020 £35,056k).

EIL's Solvency Capital Requirement at 31 March 2021 was £116,608k (2020 £140,224k) and the Minimum Capital Requirement at 31 March 2021 was £29,152k (2020 £35,056k).

A breakdown of the Solvency II adjustments for each entity is detailed below:

**EIL Solo basis and EHL Group basis, as at 31 March**

| | EIL Solo | | EHL Group | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **£000s** | **£000s** | **£000s** | **£000s** |
| **Technical provisions' adjustments** | | | | |
| Net best estimate | 71,571 | 90,511 | 71,571 | 90,511 |
| Risk Margin | 46,624 | 65,254 | 46,624 | 62,254 |
| **Total TPs** | **118,195** | **155,765** | **118,195** | **155,765** |
| | | | | |
| **Standard Formula SCR** | | | | |
| Reserve Risk | 22,785 | 29,905 | 22,785 | 29,905 |
| *Interest Rate Risk* | *7,869* | *3,995* | *7,754* | *3,750* |
| *Equity Risk* | *10,699* | *10,386* | *0* | *0* |
| *Spread Risk* | *1,045* | *1,010* | *2,255* | *2,173* |
| *Currency Risk* | *19,485* | *27,414* | *19,486* | *27,414* |
| *Concentration Risk* | *113* | *76* | *221* | *161* |
| *Diversification* | *(9,930)* | *(8,990)* | *(6,053)* | *(4,177)* |
| Market Risk | 29,283 | 33,891 | 23,664 | 29,320 |
| Counterparty default Risk | 63,244 | 75,079 | 63,250 | 75,107 |
| Diversification Credit | (25,613) | (31,011) | (23,053) | (28,922) |
| **Basic SCR** | **89,699** | **107,864** | **86,647** | **105,411** |
| Operational Risk | 26,910 | 32,359 | 25,994 | 31,623 |
| **Final Standard Formula SCR** | **116,608** | **140,224** | **112,641** | **137,034** |
| **MCR** | **29,152** | **35,056** | **-** | **-** |
| **Minimum Consolidated Group SCR** | **-** | **-** | **29,152** | **35,056** |

**Calculation of Minimum Capital Requirement, as at 31 March**

| | | EIL solo | | EHL Group | |
|---|---|---|---|---|---|
| | | **2021** | **2020** | **2021** | **2020** |
| | | **£000s** | **£000s** | **£000s** | **£000s** |
| Linear MCR | | 9,320 | 12,104 | 9,320 | 12,104 |
| **SCR** | | **116,608** | **140,224** | **112,641** | **137,034** |
| MCR cap | 45% of SCR | 52,474 | 63,101 | 50,688 | 61,665 |
| MCR floor | 25% of SCR | 29,152 | 35,056 | 28,160 | 34,259 |
| Combined MCR | | 29,152 | 35,056 | 29,152 | 35,056 |
| Absolute floor of MCR €3,700 | | 3,338 | 3,187 | 3,338 | 3,187 |
| **Minimum Capital Requirement** | | **29,152** | **35,056** | **-** | **-** |
| **Minimum Consolidated Group SCR** | | **-** | **-** | **29,152** | **35,056** |

## E3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Equitas Group has not used the duration-based equity risk sub-module of the Solvency Capital Requirement.

## E4 Differences between the standard formula and internal model used

The Equitas Group has not utilised an Internal model to calculate the Solvency Capital Requirement.

The Equitas Group applies the standard formula model to calculate the Solvency Capital Requirement, and therefore no differences exist.

## E5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Both the Group and Equitas Insurance Limited did not meet of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

The Group has surplus funds under UK GAAP of £84,087k (2020 £82,462k). The Solvency II additional Technical Provisions adjustment of £118,195k (2020 £155,765k)-as offset by the £84,087k (2020 £82,462k) UK GAAP Retained Earnings, results in a shortfall in own funds of £34,108k (2020 £73,302k), therefore the Group does not meet either the Solvency Capital Requirement or the Minimum Capital Requirement referred to in E2 above. The Group has reasonable expectation that the MCR shortfall may be rectified within 5 years.

Similarly, Equitas Insurance Limited had surplus funds of £54,171k (2020 £53,432k) under UK GAAP, increasing to £77,921k (2020 £76,252k) with the inclusion of the Subordinated Loan due to Equitas Holdings Limited. The Solvency II additional Technical provisions adjustment of £118,195k (2020 £155,765k) to UK GAAP Retained Earnings, results in a shortfall in own funds of £40,274k (2020 £79,513k), therefore the Company does not meet the Solvency Capital Requirement or the Minimum Capital Requirement. The Company has reasonable expectation that the MCR shortfall may be rectified within 5 years.

# APPROVAL BY THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY (AMSB) OF THE SFCR AND REPORTING TEMPLATES

**Equitas Holdings Limited**

The Solvency and Financial Condition Report for the Financial period ended 31 March 2021 was approved by the Board of Directors on 17 June 2021.

We acknowledge our responsibility for preparing the group SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

we are satisfied that, with the exception of meeting the Solvency Capital Requirement and the Minimum Capital Requirement:

(a) throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable at the level of the group; and

(b) it is reasonable to believe that the group has continued so to comply subsequently and will continue so to comply in future.

J W Heap
Chief Executive Officer
25 June 2021

**Report of the external independent auditors to the Directors of Equitas Holdings Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms**

**Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report**

**Opinion**

We have audited the following documents prepared by the Company as at 31 March 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 March 2021, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Group Templates subject to audit'**).

- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of Equitas Insurance Limited ('**the Company Templates subject to audit'**)

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide Solvency and Financial Condition Report'**.

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;

- Group templates S.05.01.02 and S.05.02.01 and Company templates S.05.01.02, S.05.02.01 and S.19.01.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Responsibility Statement**');

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 March 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

**Basis for opinion**

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

**Conclusions relating to going concern**

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining a copy of management's going concern assessment to assess the identification and assessment of the risks relevant to going concern and challenged the appropriateness of the assumptions used by utilising our knowledge of the Company gained throughout the audit and obtaining further corroborative audit evidence;

- Assessing projected cash flows for the Company to consider management's assessment on available liquidity; and

- Considered information obtained through review of regulatory correspondence, minutes of meetings of the Board and Audit Committee, as well as publicly available information to identify any information that would contradict management's assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

In auditing the Single Group-Wide Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Emphasis of Matter - Basis of Accounting**

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

**Other Information**

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

**Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Permission to publish a Single Group-Wide SFCR.

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

**Auditors’ Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the Single Group-Wide Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Single Group-Wide Solvency and Financial Condition Report such as Solvency II Regulations . We evaluated management’s incentives and opportunities for fraudulent manipulation of the Single Group-Wide Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates, specifically the determination of technical provisions . Audit procedures performed included:

- Review of correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Discussions with the audit committee, management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging the judgements and estimates made by management in their significant accounting estimate, being the valuation of technical provisions for claims outstanding;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations /narrative in the journal description and round sum value journal entries; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Single Group-Wide Solvency and

Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**Use of this report**

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

**Report on Other Legal and Regulatory Requirements**

**Other Information**

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP*
*Chartered Accountants*
7 More London Riverside,
London, SE1 2RT
25 June 2021

Notes:

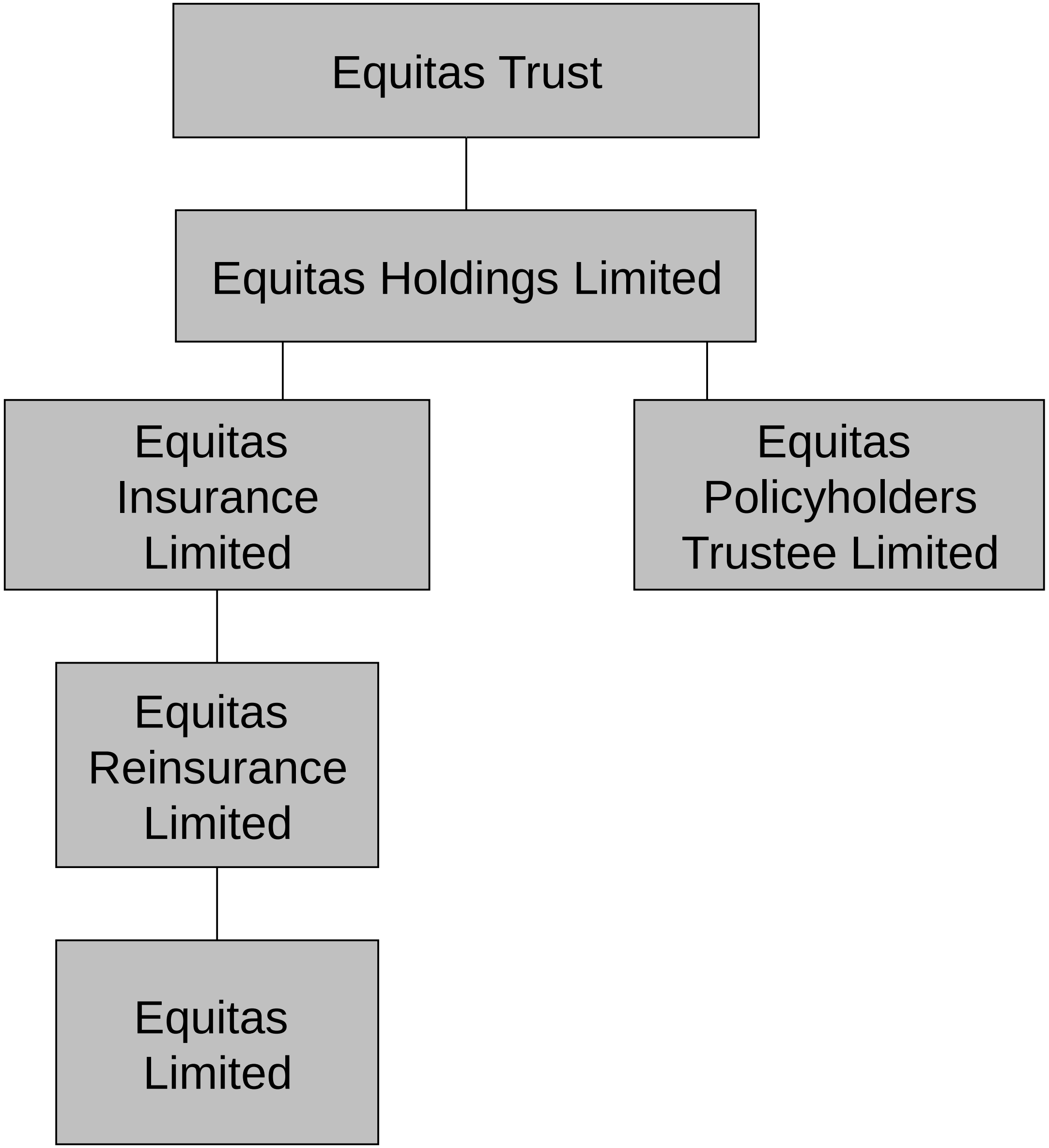
1. The maintenance and integrity of the Equitas Holdings Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Report may differ from legislation in other jurisdictions.

# LIST OF APPENDICES

1. **Group Organisation Chart**
2. **Reinsurance Chain of Security**
3. **SFCR Templates for Equitas Holdings Limited**
4. **SFCR Templates for Equitas Insurance Limited**

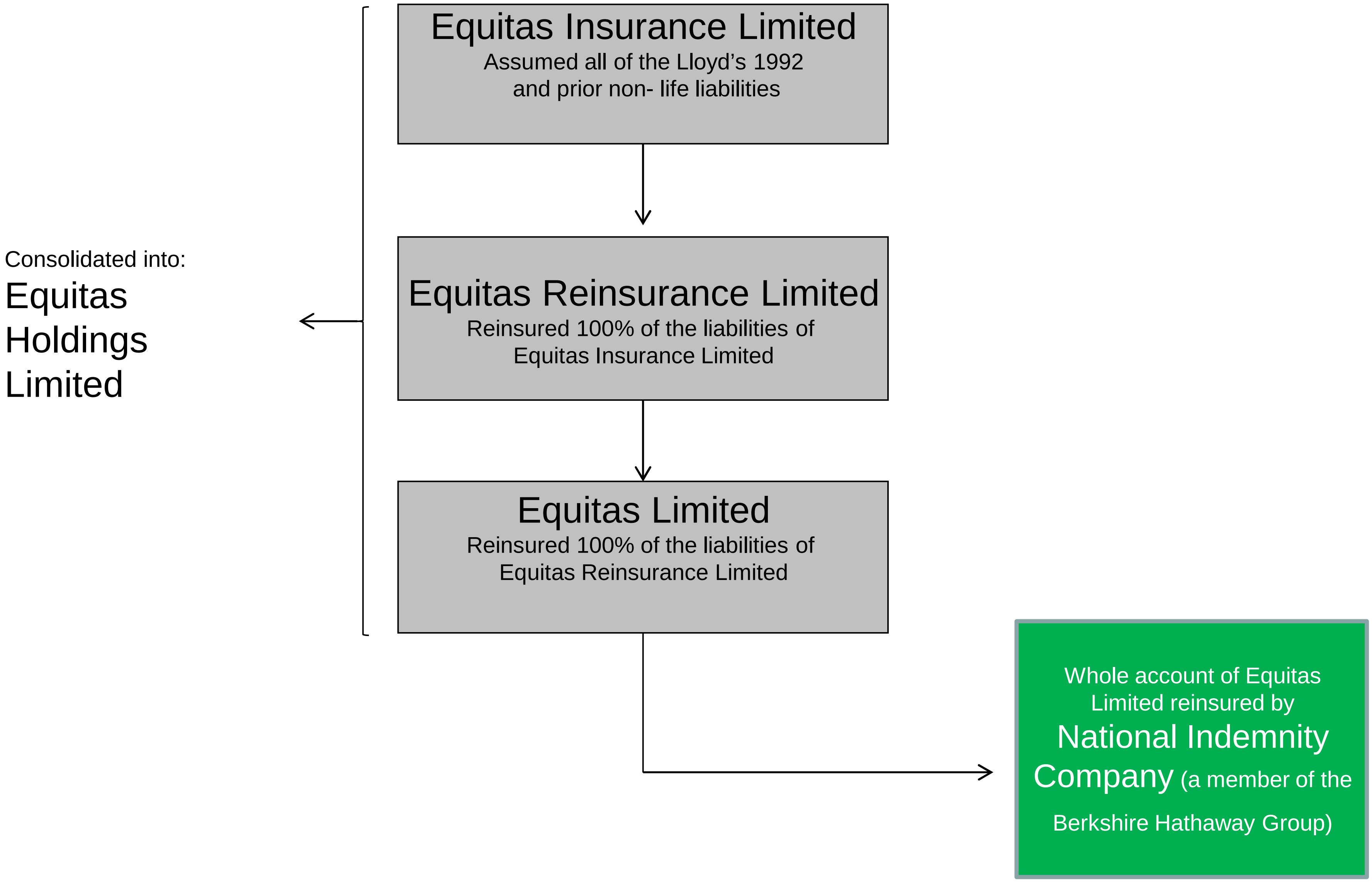
# EQUITAS
# Structure Chart

*Regulated companies:*
*Solvency II:*
*Equitas Insurance Limited*
*Non-Directive companies:*
*Equitas Reinsurance Limited*
*Equitas Limited*



**Appendix 2**

# Equitas Group Reinsurance Flow Chart



# Equitas Holdings Limited

## Solvency and Financial Condition Report

## Disclosures

31 March

2021

(Monetary amounts in GBP thousands)

## General information

| | |
|---|---|
| Participating undertaking name | Equitas Holdings Limited |
| Group identification code | 213800WGE6LLJYDKRI03 |
| Type of code of group | LEI |
| Country of the group supervisor | GB |
| Language of reporting | en |
| Reporting reference date | 31 March 2021 |
| Currency used for reporting | GBP |
| Accounting standards | Local GAAP |
| Method of Calculation of the group SCR | Standard formula |
| Method of group solvency calculation | Method 1 is used exclusively |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

## List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 83,461 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 0 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | |
| R0120 | *Equities - unlisted* | |
| R0130 | *Bonds* | 83,461 |
| R0140 | *Government Bonds* | 16,750 |
| R0150 | *Corporate Bonds* | 66,711 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 0 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 0 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 3,646,709 |
| R0280 | *Non-life and health similar to non-life* | 3,646,709 |
| R0290 | *Non-life excluding health* | 3,595,482 |
| R0300 | *Health similar to non-life* | 51,227 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | |
| R0330 | *Life excluding health and index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | |
| R0390 | Own shares (held directly) | |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 667 |
| R0420 | Any other assets, not elsewhere shown | 186 |
| R0500 | **Total assets** | 3,731,023 |

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 3,764,904 |
| R0520 | *Technical provisions - non-life (excluding health)* | 3,712,030 |
| R0530 | *TP calculated as a whole* | |
| R0540 | *Best Estimate* | 3,666,056 |
| R0550 | *Risk margin* | 45,974 |
| R0560 | *Technical provisions - health (similar to non-life)* | 52,874 |
| R0570 | *TP calculated as a whole* | |
| R0580 | *Best Estimate* | 52,224 |
| R0590 | *Risk margin* | 650 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | |
| R0630 | *Best Estimate* | |
| R0640 | *Risk margin* | |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | |
| R0670 | *Best Estimate* | |
| R0680 | *Risk margin* | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | |
| R0710 | *Best Estimate* | |
| R0720 | *Risk margin* | |
| R0740 | Contingent liabilities | 0 |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | |
| R0830 | Reinsurance payables | |
| R0840 | Payables (trade, not insurance) | |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 227 |
| R0900 | **Total liabilities** | 3,765,131 |
| | | |
| R1000 | **Excess of assets over liabilities** | -34,108 |

S.05.01.02

## Premiums, claims and expenses by line of business

### Non-life

| | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Misc. financial loss | Health | Casualty | Marine, aviation and transport | Property | |
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Premiums written** | | | | | | | | | | | | | | | | | |
| R0110 Gross - Direct Business | | | | | | | | | | | | | | | | | 0 |
| R0120 Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0130 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0140 Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0200 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Premiums earned** | | | | | | | | | | | | | | | | | |
| R0210 Gross - Direct Business | | | | | | | | | | | | | | | | | 0 |
| R0220 Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0230 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0240 Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0300 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Claims incurred** | | | | | | | | | | | | | | | | | |
| R0310 Gross - Direct Business | 0 | 0 | -1,192 | 4 | 0 | 10,250 | 0 | 322,482 | 0 | 0 | 0 | 158 | | | | | 331,703 |
| R0320 Gross - Proportional reinsurance accepted | 0 | 0 | -967 | 17 | 0 | 2,078 | 0 | 10,999 | 0 | 0 | 0 | 1 | | | | | 12,128 |
| R0330 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | -14,187 | -80,204 | -9,336 | -1,292 | -105,019 |
| R0340 Reinsurers' share | 0 | 0 | -2,159 | 22 | 0 | 12,328 | 0 | 333,481 | 0 | 0 | 0 | 159 | -14,187 | -80,204 | -9,336 | -1,292 | 238,812 |
| R0400 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Changes in other technical provisions** | | | | | | | | | | | | | | | | | |
| R0410 Gross - Direct Business | | | | | | | | | | | | | | | | | 0 |
| R0420 Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0430 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0440 Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0500 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0550 **Expenses incurred** | 0 | 0 | 5 | 3 | 0 | 28 | 0 | 748 | 0 | 0 | 0 | 3 | 12 | 362 | 6 | 0 | 1,166 |
| R1200 **Other expenses** | | | | | | | | | | | | | | | | | |
| R1300 **Total expenses** | | | | | | | | | | | | | | | | | 1,166 |

**S.05.02.01**

## Premiums, claims and expenses by country

### Non-life

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | Top 5 countries (by amount of gross premiums written) - non-life obligations | | Total Top 5 and home country |
| R0010 | | | | | | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | | | | | | | 0 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | | | | | | | 0 |
| R0200 | Net | 0 | | | | | | 0 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | | | | | | | 0 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | | | | | | | 0 |
| R0300 | Net | 0 | | | | | | 0 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 331,703 | | | | | | 331,703 |
| R0320 | Gross - Proportional reinsurance accepted | 12,128 | | | | | | 12,128 |
| R0330 | Gross - Non-proportional reinsurance accepted | -105,019 | | | | | | -105,019 |
| R0340 | Reinsurers' share | 238,812 | | | | | | 238,812 |
| R0400 | Net | 0 | | | | | | 0 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | | | | | | 0 |
| R0550 | **Expenses incurred** | | | | | | | 0 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 0 |

**S.23.01.22**

## Own Funds

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | **Basic own funds before deduction for participations in other financial sector** | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 0 | 0 | | 0 | |
| R0020 | *Non-available called but not paid in ordinary share capital at group level* | 0 | | | | |
| R0030 | Share premium account related to ordinary share capital | 0 | 0 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0060 | *Non-available subordinated mutual member accounts at group level* | 0 | | | | |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0080 | *Non-available surplus funds at group level* | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0100 | *Non-available preference shares at group level* | 0 | | | | |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0120 | *Non-available share premium account related to preference shares at group level* | 0 | | | | |
| R0130 | Reconciliation reserve | -34,108 | -34,108 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | 0 |
| R0150 | *Non-available subordinated liabilities at group level* | 0 | | | | |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| R0170 | *The amount equal to the value of net deferred tax assets not available at the group level* | 0 | | | | 0 |
| R0180 | Other items approved by supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0190 | *Non available own funds related to other own funds items approved by supervisory authority* | 0 | | | | |
| R0200 | Minority interests (if not reported as part of a specific own fund item) | 0 | | | | |
| R0210 | *Non-available minority interests at group level* | 0 | | | | |
| R0220 | **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** | | | | | |
| R0230 | **Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities** | 0 | | | | |
| R0240 | *whereof deducted according to art 228 of the Directive 2009/138/EC* | 0 | | | | |
| R0250 | Deductions for participations where there is non-availability of information (Article 229) | 0 | | | | |
| R0260 | Deduction for participations included by using D&A when a combination of methods is used | 0 | | | | |
| R0270 | **Total of non-available own fund items** | 0 | 0 | 0 | 0 | 0 |
| R0280 | **Total deductions** | 0 | 0 | 0 | 0 | 0 |
| R0290 | **Total basic own funds after deductions** | -34,108 | -34,108 | 0 | 0 | 0 |
| | **Ancillary own funds** | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | | |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | | |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0380 | Non available ancillary own funds at group level | 0 | | | | |
| R0390 | Other ancillary own funds | 0 | | | | |
| R0400 | **Total ancillary own funds** | 0 | | | 0 | 0 |
| | **Own funds of other financial sectors** | | | | | |
| R0410 | Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies | 0 | | | | |
| R0420 | Institutions for occupational retirement provision | 0 | | | | |
| R0430 | Non regulated entities carrying out financial activities | 0 | | | | |
| R0440 | **Total own funds of other financial sectors** | 0 | 0 | 0 | 0 | 0 |

**S.23.01.22**

## Own Funds

| | Basic own funds before deduction for participations in other financial sector | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| | **Own funds when using the D&A, exclusively or in combination of method 1** | | | | | |
| R0450 | Own funds aggregated when using the D&A and combination of method | 0 | | | | |
| R0460 | Own funds aggregated when using the D&A and combination of method net of IGT | 0 | | | | |
| R0520 | Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | -34,108 | -34,108 | 0 | 0 | 0 |
| R0530 | Total available own funds to meet the minimum consolidated group SCR | -34,108 | -34,108 | 0 | 0 | |
| R0560 | Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | -34,108 | -34,108 | 0 | 0 | 0 |
| R0570 | Total eligible own funds to meet the minimum consolidated group SCR (group) | -34,108 | -34,108 | 0 | 0 | |
| R0610 | **Minimum consolidated Group SCR** | 29,152 | | | | |
| R0650 | **Ratio of Eligible own funds to Minimum Consolidated Group SCR** | -117.00% | | | | |
| R0660 | **Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A )** | -34,108 | -34,108 | 0 | 0 | 0 |
| R0680 | **Group SCR** | 112,641 | | | | |
| R0690 | **Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A** | -30.28% | | | | |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | -34,108 |
| R0710 | Own shares (held directly and indirectly) | |
| R0720 | Forseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 0 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0750 | Other non available own funds | |
| R0760 | **Reconciliation reserve** | -34,108 |
| | **Expected profits** | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 0 |

**S.25.01.22**

## Solvency Capital Requirement - for groups on Standard Formula

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| R0010 | Market risk | 23,664 | | |
| R0020 | Counterparty default risk | 63,250 | | |
| R0030 | Life underwriting risk | 0 | | |
| R0040 | Health underwriting risk | 408 | | |
| R0050 | Non-life underwriting risk | 22,377 | | |
| R0060 | Diversification | -23,053 | | |
| R0070 | Intangible asset risk | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 86,647 | | |

| | | |
|---|---|---|
| | **Calculation of Solvency Capital Requirement** | C0100 |
| R0130 | Operational risk | 25,994 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | 0 |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 |
| R0200 | **Solvency Capital Requirement excluding capital add-on** | 112,641 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement for undertakings under consolidated method** | 112,641 |
| | **Other information on SCR** | |
| R0400 | Capital requirement for duration-based equity risk sub-module | 0 |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | 0 |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | 0 |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |
| R0470 | Minimum consolidated group solvency capital requirement | 29,152 |
| | **Information on other entities** | |
| R0500 | Capital requirement for other financial sectors (Non-insurance capital requirements) | 0 |
| R0510 | *Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies* | 0 |
| R0520 | *Institutions for occupational retirement provisions* | 0 |
| R0530 | *Capital requirement for non- regulated entities carrying out financial activities* | 0 |
| R0540 | Capital requirement for non-controlled participation requirements | 0 |
| R0550 | Capital requirement for residual undertakings | 0 |
| | **Overall SCR** | |
| R0560 | SCR for undertakings included via D&A | 0 |
| R0570 | **Solvency capital requirement** | 112,641 |

**USP Key**

**For life underwriting risk:**
1 - Increase in the amount of annuity benefits
9 - None

**For health underwriting risk:**
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

**For non-life underwriting risk:**
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk

**S.32.01.22**

## Undertakings in the scope of the group

| | Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal Name of the undertaking | Type of undertaking | Legal form | Category (mutual/ non mutual) | Supervisory Authority |
|---|---|---|---|---|---|---|---|---|
| Row | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 |
| 1 | GB | 21380054ZXKJDP8YZU64 | LEI | Equitas Reinsurance Limited | Reinsurance undertaking | companies limited by shares | Non-mutual | Prudential Regulatory Authority |
| 2 | GB | 549300LL7IYV1TB28F95 | LEI | Equitas Limited | Reinsurance undertaking | companies limited by shares | Non-mutual | Prudential Regulatory Authority |
| 3 | GB | 549300Y0D2W0N085H410 | LEI | Equitas Insurance Limited | Reinsurance undertaking | companies limited by shares | Non-mutual | Prudential Regulatory Authority |
| 4 | GB | 213800WGE6LLJYDKRI03 | LEI | Equitas Holdings Limited | Reinsurance undertaking | companies limited by shares | Non-mutual | Prudential Regulatory Authority |

**S.32.01.22**

## Undertakings in the scope of the group

| Row | Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal Name of the undertaking | Criteria of influence: % capital share | Criteria of influence: % used for the establishment of consolidated accounts | Criteria of influence: % voting rights | Criteria of influence: Other criteria | Criteria of influence: Level of influence | Criteria of influence: Proportional share used for group solvency calculation | Inclusion in the scope of Group supervision: YES/NO | Inclusion in the scope of Group supervision: Date of decision if art. 214 is applied | Group solvency calculation: Method used and under method 1, treatment of the undertaking |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | C0010 | C0020 | C0030 | C0040 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| 1 | GB | 21380054ZXKJDP8YZU64 | LEI | Equitas Reinsurance Limited | 100.00% | 100.00% | 100.00% | Common Board | Dominant | 100.00% | Included in the scope | | Method 1: Full consolidation |
| 2 | GB | 549300LL7IYV1TB28F95 | LEI | Equitas Limited | 100.00% | 100.00% | 100.00% | Common Board | Dominant | 100.00% | Included in the scope | | Method 1: Full consolidation |
| 3 | GB | 549300Y0D2W0N085H410 | LEI | Equitas Insurance Limited | 100.00% | 100.00% | 100.00% | Common Board | Dominant | 100.00% | Included in the scope | | Method 1: Full consolidation |
| 4 | GB | 213800WGE6LLJYDKRI03 | LEI | Equitas Holdings Limited | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Included in the scope | | Method 1: Full consolidation |

# Equitas Insurance Limited

## Solvency and Financial Condition Report

## Disclosures

31 March

2021

(Monetary amounts in GBP thousands)

## General information

| | |
|---|---|
| Undertaking name | Equitas Insurance Limited |
| Undertaking identification code | 549300Y0D2W0N085H410 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-life undertakings |
| Country of authorisation | GB |
| Language of reporting | en |
| Reporting reference date | 31 March 2021 |
| Currency used for reporting | GBP |
| Accounting standards | Local GAAP |
| Method of Calculation of the SCR | Standard formula |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

## List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 87,736 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 48,634 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | |
| R0120 | *Equities - unlisted* | |
| R0130 | *Bonds* | 39,102 |
| R0140 | *Government Bonds* | 8,470 |
| R0150 | *Corporate Bonds* | 30,632 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 0 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 0 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 3,646,709 |
| R0280 | *Non-life and health similar to non-life* | 3,646,709 |
| R0290 | *Non-life excluding health* | 3,595,482 |
| R0300 | *Health similar to non-life* | 51,227 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | |
| R0330 | *Life excluding health and index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | |
| R0390 | Own shares (held directly) | |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 238 |
| R0420 | Any other assets, not elsewhere shown | |
| R0500 | **Total assets** | 3,734,683 |

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 3,764,904 |
| R0520 | *Technical provisions - non-life (excluding health)* | 3,712,030 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 3,666,056 |
| R0550 | *Risk margin* | 45,974 |
| R0560 | *Technical provisions - health (similar to non-life)* | 52,874 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 52,224 |
| R0590 | *Risk margin* | 650 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | |
| R0630 | *Best Estimate* | |
| R0640 | *Risk margin* | |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | |
| R0670 | *Best Estimate* | |
| R0680 | *Risk margin* | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | |
| R0710 | *Best Estimate* | |
| R0720 | *Risk margin* | |
| R0740 | Contingent liabilities | 0 |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | |
| R0830 | Reinsurance payables | |
| R0840 | Payables (trade, not insurance) | |
| R0850 | Subordinated liabilities | 23,750 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 23,750 |
| R0880 | Any other liabilities, not elsewhere shown | 10,053 |
| R0900 | **Total liabilities** | 3,798,707 |
| | | |
| R1000 | **Excess of assets over liabilities** | -64,024 |

**S.05.01.02**

## Premiums, claims and expenses by line of business

### Non-life

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Misc. financial loss | Health | Casualty | Marine, aviation and transport | Property | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| | **Premiums written** | | | | | | | | | | | | | | | | | |
| R0110 | Gross - Direct Business | | | | | | | | | | | | | | | | | 0 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0140 | Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0200 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Premiums earned** | | | | | | | | | | | | | | | | | |
| R0210 | Gross - Direct Business | | | | | | | | | | | | | | | | | 0 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0240 | Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0300 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Claims incurred** | | | | | | | | | | | | | | | | | |
| R0310 | Gross - Direct Business | 0 | 0 | -1,192 | 4 | 0 | 10,250 | 0 | 322,482 | 0 | 0 | 0 | 158 | | | | | 331,703 |
| R0320 | Gross - Proportional reinsurance accepted | 0 | 0 | -967 | 17 | 0 | 2,078 | 0 | 10,999 | 0 | 0 | 0 | 1 | | | | | 12,128 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | -14,187 | -80,204 | -9,336 | -1,292 | -105,019 |
| R0340 | Reinsurers' share | 0 | 0 | -2,159 | 22 | 0 | 12,328 | 0 | 333,481 | 0 | 0 | 0 | 159 | -14,187 | -80,204 | -9,336 | -1,292 | 238,812 |
| R0400 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Changes in other technical provisions** | | | | | | | | | | | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | | | | | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 0 | 0 | 8 | 5 | 0 | 47 | 0 | 1,262 | 0 | 0 | 0 | 4 | 20 | 610 | 10 | 0 | 1,966 |
| R1200 | **Other expenses** | | | | | | | | | | | | | | | | | |
| R1300 | **Total expenses** | | | | | | | | | | | | | | | | | 1,966 |

**S.05.02.01**

## Premiums, claims and expenses by country

### Non-life

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | Top 5 countries (by amount of gross premiums written) - non-life obligations | | Total Top 5 and home country |
| R0010 | | | | | | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | | | | | | | 0 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | | | | | | | 0 |
| R0200 | Net | 0 | | | | | | 0 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | | | | | | | 0 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | | | | | | | 0 |
| R0300 | Net | 0 | | | | | | 0 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 331,703 | | | | | | 331,703 |
| R0320 | Gross - Proportional reinsurance accepted | 12,128 | | | | | | 12,128 |
| R0330 | Gross - Non-proportional reinsurance accepted | -105,019 | | | | | | -105,019 |
| R0340 | Reinsurers' share | 238,812 | | | | | | 238,812 |
| R0400 | Net | 0 | | | | | | 0 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | | | | | | 0 |
| R0550 | **Expenses incurred** | | | | | | | 0 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 0 |

S.17.01.02

## Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0050 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | | | | | | | | | | | | | | | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | | | | | | | |
| | **Premium provisions** | | | | | | | | | | | | | | | | | |
| R0060 | Gross | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | | | | | | | | | | | 0 |
| R0150 | **Net Best Estimate of Premium Provisions** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Claims provisions** | | | | | | | | | | | | | | | | | |
| R0160 | Gross | 0 | 0 | 14,759 | 10,256 | 0 | 88,415 | 0 | 2,385,971 | 0 | 0 | 0 | 8,329 | 37,466 | 1,153,898 | 18,903 | 284 | 3,718,280 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | 0 | 0 | 14,478 | 10,074 | 0 | 86,725 | 0 | 2,340,057 | 0 | 0 | 0 | 8,169 | 36,749 | 1,131,629 | 18,551 | 277 | 3,646,709 |
| R0250 | **Net Best Estimate of Claims Provisions** | 0 | 0 | 281 | 182 | 0 | 1,690 | 0 | 45,914 | 0 | 0 | 0 | 160 | 716 | 22,269 | 352 | 7 | 71,571 |
| R0260 | **Total best estimate - gross** | 0 | 0 | 14,759 | 10,256 | 0 | 88,415 | 0 | 2,385,971 | 0 | 0 | 0 | 8,329 | 37,466 | 1,153,898 | 18,903 | 284 | 3,718,280 |
| R0270 | **Total best estimate - net** | 0 | 0 | 281 | 182 | 0 | 1,690 | 0 | 45,914 | 0 | 0 | 0 | 160 | 716 | 22,269 | 352 | 7 | 71,571 |
| R0280 | **Risk margin** | 0 | 0 | 183 | 119 | 0 | 1,101 | 0 | 29,910 | 0 | 0 | 0 | 104 | 467 | 14,507 | 229 | 5 | 46,624 |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | |
| R0290 | Technical Provisions calculated as a whole | | | | | | | | | | | | | | | | | 0 |
| R0300 | Best estimate | | | | | | | | | | | | | | | | | 0 |
| R0310 | Risk margin | | | | | | | | | | | | | | | | | 0 |
| R0320 | **Technical provisions - total** | 0 | 0 | 14,942 | 10,375 | 0 | 89,516 | 0 | 2,415,881 | 0 | 0 | 0 | 8,434 | 37,932 | 1,168,405 | 19,132 | 289 | 3,764,904 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | 0 | 0 | 14,478 | 10,074 | 0 | 86,725 | 0 | 2,340,057 | 0 | 0 | 0 | 8,169 | 36,749 | 1,131,629 | 18,551 | 277 | 3,646,709 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | 0 | 0 | 464 | 300 | 0 | 2,790 | 0 | 75,825 | 0 | 0 | 0 | 264 | 1,183 | 36,776 | 581 | 12 | 118,195 |

**S.19.01.21**

## Non-Life insurance claims

### Total Non-life business

| Z0020 | Accident year / underwriting year | Underwriting Year |
|---|---|---|

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

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 261,961 | 261,961 | 261,961 |
| R0160 | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| R0170 | 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 |
| R0180 | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | 0 |
| R0190 | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 |
| R0200 | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 | 0 |
| R0210 | 2017 | 0 | 0 | 0 | 0 | 0 | | | | | | | 0 | 0 |
| R0220 | 2018 | 0 | 0 | 0 | 0 | | | | | | | | 0 | 0 |
| R0230 | 2019 | 0 | 0 | 0 | | | | | | | | | 0 | 0 |
| R0240 | 2020 | 0 | 0 | | | | | | | | | | 0 | 0 |
| R0250 | 2021 | 0 | | | | | | | | | | | 0 | 0 |
| R0260 | | | | | | | | | | | | Total | 261,961 | 261,961 |

**Gross Undiscounted Best Estimate Claims Provisions**
(absolute amount)

| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Development year | | | | | | | | | | | Year end (discounted data) |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | |
| R0100 | Prior | | | | | | | | | | | 4,250,230 | 3,718,280 |
| R0160 | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| R0170 | 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 |
| R0180 | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| R0190 | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 |
| R0200 | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 |
| R0210 | 2017 | 0 | 0 | 0 | 0 | 0 | | | | | | | 0 |
| R0220 | 2018 | 0 | 0 | 0 | 0 | | | | | | | | 0 |
| R0230 | 2019 | 0 | 0 | 0 | | | | | | | | | 0 |
| R0240 | 2020 | 0 | 0 | | | | | | | | | | 0 |
| R0250 | 2021 | 0 | | | | | | | | | | | 0 |
| R0260 | | | | | | | | | | | | Total | 3,718,280 |

**S.23.01.01**

## Own Funds

| | Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35 | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 16,500 | 16,500 | | 0 | |
| R0030 | Share premium account related to ordinary share capital | 0 | 0 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0130 | Reconciliation reserve | -80,524 | -80,524 | | | |
| R0140 | Subordinated liabilities | 23,750 | | 0 | 23,750 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0220 | **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** | 0 | | | | |
| R0230 | **Deductions for participations in financial and credit institutions** | 0 | 0 | 0 | 0 | |
| R0290 | **Total basic own funds after deductions** | -40,274 | -64,024 | 0 | 23,750 | 0 |
| | **Ancillary own funds** | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | | |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | | |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0390 | Other ancillary own funds | 0 | | | | |
| R0400 | **Total ancillary own funds** | 0 | | | 0 | 0 |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | -40,274 | -64,024 | 0 | 23,750 | 0 |
| R0510 | Total available own funds to meet the MCR | -40,274 | -64,024 | 0 | 23,750 | |
| R0540 | Total eligible own funds to meet the SCR | -40,274 | -64,024 | 0 | 23,750 | 0 |
| R0550 | Total eligible own funds to meet the MCR | -58,194 | -64,024 | 0 | 5,830 | |
| R0580 | **SCR** | 116,608 | | | | |
| R0600 | **MCR** | 29,152 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | -34.54% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | -199.62% | | | | |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | -64,024 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 16,500 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0760 | **Reconciliation reserve** | -80,524 |
| | **Expected profits** | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 0 |

**S.25.01.21**

## Solvency Capital Requirement - for undertakings on Standard Formula

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| R0010 | Market risk | 29,283 | | |
| R0020 | Counterparty default risk | 63,244 | | |
| R0030 | Life underwriting risk | 0 | | |
| R0040 | Health underwriting risk | 408 | | |
| R0050 | Non-life underwriting risk | 22,377 | | |
| R0060 | Diversification | -25,613 | | |
| R0070 | Intangible asset risk | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 89,699 | | |

| | | |
|---|---|---|
| | **Calculation of Solvency Capital Requirement** | C0100 |
| R0130 | Operational risk | 26,910 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 |
| R0200 | **Solvency Capital Requirement excluding capital add-on** | 116,608 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement** | 116,608 |
| | **Other information on SCR** | |
| R0400 | Capital requirement for duration-based equity risk sub-module | 0 |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | 0 |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | 0 |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |

| | | |
|---|---|---|
| | **Approach to tax rate** | C0109 |
| R0590 | Approach based on average tax rate | 0 |

| | | LAC DT |
|---|---|---|
| | **Calculation of loss absorbing capacity of deferred taxes** | C0130 |
| R0640 | LAC DT | |
| R0650 | LAC DT justified by reversion of deferred tax liabilities | 0 |
| R0660 | LAC DT justified by reference to probable future taxable economic profit | 0 |
| R0670 | LAC DT justified by carry back, current year | 0 |
| R0680 | LAC DT justified by carry back, future years | 0 |
| R0690 | Maximum LAC DT | 0 |

USP Key

**For life underwriting risk:**
1 - Increase in the amount of annuity benefits
9 - None

**For health underwriting risk:**
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

**For non-life underwriting risk:**
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

**S.28.01.01**

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

| | Linear formula component for non-life insurance and reinsurance obligations | C0010 |
|---|---|---|
| R0010 | $MCR_{NL}$ Result | 9,320 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | C0020 | C0030 |
| R0020 | Medical expense insurance and proportional reinsurance | 0 | |
| R0030 | Income protection insurance and proportional reinsurance | 0 | |
| R0040 | Workers' compensation insurance and proportional reinsurance | 281 | |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 182 | |
| R0060 | Other motor insurance and proportional reinsurance | 0 | |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 1,690 | |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 0 | |
| R0090 | General liability insurance and proportional reinsurance | 45,914 | |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | |
| R0110 | Legal expenses insurance and proportional reinsurance | 0 | |
| R0120 | Assistance and proportional reinsurance | 0 | |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 160 | |
| R0140 | Non-proportional health reinsurance | 716 | |
| R0150 | Non-proportional casualty reinsurance | 22,269 | |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 352 | |
| R0170 | Non-proportional property reinsurance | 7 | |

| | Linear formula component for life insurance and reinsurance obligations | C0040 |
|---|---|---|
| R0200 | $MCR_L$ Result | 0 |

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

| | Overall MCR calculation | C0070 |
|---|---|---|
| R0300 | Linear MCR | 9,320 |
| R0310 | SCR | 116,608 |
| R0320 | MCR cap | 52,474 |
| R0330 | MCR floor | 29,152 |
| R0340 | Combined MCR | 29,152 |
| R0350 | Absolute floor of the MCR | 3,338 |
| R0400 | **Minimum Capital Requirement** | 29,152 |