Equitas Holdings Limited

Solvency & Financial Condition Report

As at 31 March 2017

Corporate references

Firm Reference Number	204019
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SUMMARY

Introduction and summary

This document is the first Solvency Financial Conditions Report (SFCR) for Equitas Holdings Limited; it is based on the financial position as at 31 March 2017. 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 2017 £000s	Group 2017 £000s
Available and Eligible Own Funds	(56,738)	(50,498)
Standard Formula Solvency Capital Requirement (SCR)	128,441	125,946
SCR Deficit	**(185,179)**	**(176,444)**
Minimum Capital Requirement (MCR)	32,110	32,110
MCR Deficit	**(88,848)**	**(82,608)**

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, 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 below.

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.

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 additional reinsurance cover available at the 31 March is set out in the table below:

	2017	*2016*
	$m	*$m*
Additional reinsurance cover available at 1 April 2016/2015	4,707	4,965
Movement in provisions	(54)	(235)
Exchange differences	(52)	(23)
Additional reinsurance cover available at 31 March 2017/2016	**4,601**	**4,707**

As at 31 March 2017, $2,399 million (or 34.3%) (2016: $2,293 million (or 32.8%)) 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 level of cover remaining to meet potential liabilities significantly strengthens the Group's financial position. The risk that assets will not be sufficient to meet the liabilities as they fall due has become extremely remote as a result of the reinsurance purchased from National Indemnity.

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 2016, National Indemnity had $101bn surplus as regards policyholders and total assets of $178bn.

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. Nevertheless, the Board believes that the substantial unutilised reinsurance cover available makes the prospect of the failure of EIL extremely remote. 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. At the time the Part VII was approved by the High Court our confidence level was assessed at 96.9%.

A. BUSINESS AND PERFORMANCE

A.1 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.

During 2009 a newly formed company, Equitas Insurance Limited ("EIL") accepted the transfer of Lloyd's Names 1992 and prior year business pursuant to the Part VII transfer described earlier. It is a wholly owned subsidiary of Equitas Holdings Limited formed for that purpose and 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). Regulated under Solvency II, EHL's registered address is 8 Fenchurch Place, London EC3M 4AJ.

Equitas Insurance Limited (EIL) is a limited company incorporated and domiciled in England and Wales (No. 06704451). Regulated under Solvency II, EIL's registered address is 8 Fenchurch Place, London EC3M 4AJ.

Equitas Reinsurance Limited (ERL) is a limited company incorporated and domiciled in England and Wales (No. 03136300). Regulated under Solvency I, ERL's registered address is 8 Fenchurch Place, London EC3M 4AJ.

Equitas Limited (EL) is a limited company incorporated and domiciled in England and Wales (No. 03173352). Regulated under Solvency I, EL's registered address is 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, which is managed by RMSL as agent for Equitas Insurance Limited (formerly Reinsured Names).

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 extremely remote. 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 2017

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 2017, the Group reported a loss after taxation of £431k.

As at 31 March 2017, the Group had Shareholders' funds amounting to £78,045k 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 2016	4,768,176	(4,768,176)	-
Payments, receipts and accruals	(425,135)	425,135	-
Reassessment of liabilities and reinsurances	28,767	(28,767)	-
Exchange movements	593,678	(593,678)	-
Provisions at 31 March 2017	4,965,486	(4,965,486)	-

The above Gross £28,767k of Incurred losses have arisen fully from UK-written business, of which £27,222k (or 95%) has arisen from the Liability classes.

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 2017

Investments are invested in shares and other variable yield securities, debt securities and other fixed interest securities. The external investment manager, BlackRock, is permitted to use derivative financial instruments for efficient portfolio management purposes. At 31 March 2017 the derivative position was a net zero.

The Fund is held to invest the long term ongoing capital reserves of the Group. There are strict limits placed on the type, value and term of such contracts; these contracts are included in the financial statements on a fair value basis. Up to 50% of the Fund can be invested in non-Sterling assets on a fully hedged basis at any one time. Fixed forward currency contracts are arranged to eliminate the currency risk. Gilt, Bund and US futures and options are bought or sold during the year to gain exposure to that market or reduce duration risk and are fully covered by cash holdings. Credit default swaps are used to hedge specific credit risk and to implement investment views. Further details of the investments and derivative positions are provided in the Report and Accounts.

The estimated fair value of these investments held by the Group as at 31 March 2017 was £83,169k (EIL £37,144). For the year ended 31 March 2017, the Company Group reported an investment return gain of £904k, with associated investment management fees of £221k (EIL: £538k income less £98k fees).

The EHL Board of Directors is satisfied with the 2017 performance of the Group.

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 2017 were £1,335k for the Group, including £1,163k for EIL.

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.

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 Mr ME McL Deeny (Chairman), Messrs 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 is 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 are:

David Shipley	-	Chairman
Jeremy Heap	-	Chief Executive Officer
Jane Barker	-	Non-executive Director
Glenn Brace	-	Non-executive Director
Michael Deeny	-	Trustees' Nominated Director
John Parry	-	Lloyd's Nominated Director (appointed 22 June 2016)
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). 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.

There are no committees of the Board since all matters are brought to the attention of the whole Board.

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.

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.

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.

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.

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 Blackrock Investment Management (UK) Ltd. (BlackRock), based in London. The investment mandate is established by the Board, with any changes to the mandate and applied by BlackRock. Furthermore, BlackRock's compliance to the investment mandate is independently verified by RMSL Finance, in conjunction with a specialist investment reporting company, Clearwater Analytics Inc.

BlackRock is permitted to use derivative financial instruments for efficient portfolio management purposes. The Fund is held to invest the long term on-going capital reserves of the Group. There are strict limits placed on the type, value and term of such contracts; these contracts are included in the financial statements on a fair value basis. Up to 50% of the Fund can be invested in non-Sterling assets on a fully hedged basis at any one time. Fixed forward currency contracts are arranged to eliminate the currency risk. Gilt, Bund and US futures and options are bought or sold during the year to gain exposure to that market or reduce duration risk and are fully covered by cash holdings. Credit default swaps are used to hedge specific credit risk and to implement investment views.

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 2017

	EIL Solo	EHL Group
	£000s	**£000s**
Insurance Risk	26,228	26,228
Market Risk	30,586	26,811
Counterparty default Risk	69,970	70,096
Diversification Credit	(27,983)	(26,254)
Basic SCR	98,801	96,881
Operational Risk	29,640	29,065
Final Standard Formula SCR	128,441	125,946
MCR	32,110	32,110

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 in excess of current gross liabilities. 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 (Blackrock) places controls over investment quality and restricts the level of exposure to each non-government counterparty. A minimum of 25% of the portfolio is invested in UK government related instruments or cash at all times. The Company has no off-balance sheet transactions.

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 Inc (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 greater than US$101bn and total assets of US$182bn and is rated AA+ by S&P rating agency.

In addition, should the rating of National Indemnity fall below AA-, National Indemnity has to collateralise its' obligations by either a letter of credit, or putting assets into a trust fund.

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.

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.

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 the managers' assessment of the OECR and for the Solvency II regulatory capital requirement.

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.

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 and larger OECR.

Sensitivity	Discounted Net Best Estimate £000s	OECR (Ultimate basis) £000s
Base, selected	78,496	448,497
Higher loss variability	124,849	1,016,282
Lower loss variability	50,569	-27,962[1]
Higher correlation between classes	87,835	582,098
Lower correlation between classes	72,410	339,797

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.

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[1] A negative OECR indicates that the net best estimate (mean) is above the 97.5th percentile

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.

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.

D. VALUATION FOR SOLVENCY PURPOSES

The details of the Group's Assets and Liabilities as at 31 March 2017 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 Solvency II Balance Sheet as at 31 March 2017, £000	Notes	UK GAAP	Reclass'n Adj's	Solvency II Value Adjustments		Solvency II
				Technical Provisions	Other	
Assets						
Total Investments		**81,892**	**1,106**			**82,998**
Government Bonds	1	16,448	66			16,514
Corporate Bonds	1	31,566	352			31,918
Collateralised Securities	1	7,780	6			7,786
Collective Investment Undertakings	1	26,564				26,564
Derivatives	3	(466)	682			215
Deposits other than cash equivalents	1					
Reinsurance Recoverables	**2**	**4,965,486**		**(957,098)**		**4,008,388**
Non-life excluding health		4,880,548		(950,052)		3,930,496
Health similar to non-life		84,938		(7,046)		77,892
Cash and cash equivalents	1	**2,643**				**2,643**
Other assets	1	**440**	**(414)**			**25**
Total Assets		**5,050,461**	**692**	**(957.098)**		**4,094,055**
Liabilities						
Total Non-Life Technical Provisions		**4,965,486**		**(828,555)**		**4,136,931**
Technical provisions – non-life excluding health	4	4,880,548		**(824,013)**		**4,056,535**
Best Estimate	4					4,007,463
Risk margin						49,072
Technical provisions - health (similar to non-life)		84,938		**(4,542)**		**80,397**
Best estimate	4					79,422
Risk Margin	4					975
Derivatives	3		**692**			**692**
Other liabilities	5	**6,930**				**6,930**
Total Liabilities		**4,972,415**		**(828,555)**		**4,144,553**
Excess of Assets over Liabilities		**78,045**		**(128,543)**		**(50,498)**

Equitas Insurance Limited Solo Solvency II Balance Sheet as at 31 March 2017, £000	Notes	UK GAAP	Reclass'n Adj's	Solvency II Value Adjustments		Solvency II
				Technical Provisions	Other	
Assets						
Total Investments		**77,222**	**499**			**77,721**
Holdings in related undertakings		40,673				40,673
Government Bonds	1	7,520	30			7,550
Corporate Bonds	1	14,079	163			14,242
Collateralised Securities	1	3,416	3			3,419
Collective Investment Undertakings	1	11,745				11,745
Derivatives	3	(210)	303			93
Deposits other than cash equivalents	1					
Reinsurance Recoverables	2	**4,965,486**		**(957,098)**		**4,008,388**
Non-life excluding health		4,880,548		(950,052)		3,930,496
Health similar to non-life		84,938		(7,046)		77,892
Cash and cash equivalents	1	**613**				**613**
Other assets	1	**198**	**(191)**			**7**
Total Assets		**5,043,519**	**308**	**(957.098)**		**4,086,730**
Liabilities						
Total Non-Life Technical Provisions		**4,965,486**		**(828,631)**		**4,136,856**
Technical provisions – non-life excluding health	4	4,880,548		(824,089)		4,056,461
Best Estimate	4					4,007,463
Risk margin						48,998
Technical provisions - health (similar to non-life)		84,938		(4,542)		**80,395**
Best estimate	4					79,422
Risk Margin	4					974
Derivatives	3		**308**			**308**
Sub-Ordinated Loans	5	**20,242**				**20,242**
Other liabilities	5	**6,305**				**6,305**
Total Liabilities		**4,992,031**	**308**	**(828,631)**		**4,163,710**
Excess of Assets over Liabilities		**51,487**		**(128,467)**		**(76,980)**

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.

Note 3 For Solvency II valuation purposes

Derivatives

Derivatives including futures, options and credit default swaps are stated at bid prices provided by various recognised sources. For short term money market instruments, where market values are not available, fair values are calculated by discounting expected cash flows at prevailing interest rates at the balance sheet date. The fair values of forward exchange contracts are determined based on market forward exchange rates at the balance sheet date.

For UK GAAP reporting purposes, the Derivatives' assets and liabilities are reported collectively as a Net asset, whereas Solvency II requires these to be reported separately.

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

D2 Technical Provisions

Note 4 For Solvency II valuation purposes:

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 2016 (version 7) Lloyd's standard formula template for our calculations, and this strategy has been approved by the Prudential Regulatory Authority.

With reference to the Solvency II Balance Sheets for EHL Group and EIL Solo on pages 24 & 25 the required Solvency II adjustments are as follows:

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 zero GBP. 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 a Undiscounted Net Best Estimate of £69,823k. Risk free curves as specified by EIOPA (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 £40,452k.

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

Expenses - The SII technical provisions include an allowance for expenses (both ULAE and non ULAE). 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 £37,052k undiscounted and £29,147k 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 £2.3 billion which are available to pay the underlying claims in the event of default by National Indemnity. However, the SII regulations do not allow us to take these into account in our SCR calculations. Perversely, our 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 £12,529k undiscounted and £8,897k 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 EIOPA risk free rates.

The resulting risk margin for Group was £50,047k (Solo £49,971k).

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.

D3 Alternative Valuation Methods

The Group do not use any alternative valuation methods

D4. 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.

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 £20,242k subordinated loan from Equitas Holdings Limited, classified as Tier 2 capital. Interest of £795k 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 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 2017 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. After 5 years we expect own funds available to meet the SCR to have moved to a positive value, so long as gross claims provisions do not deteriorate.

Solvency II Own Funds and Net Assets with UK GAAP Equivalents

Equitas Holdings Limited Group	Solvency II value £000	GAAP value £000
Tier 1 Funds		
Called up share capital	-	-
Retained Earnings	-	78,048
Reconciliation reserve	(50,498)	-
Net Assets (Excess Assets over Liabilities)	**(50,498)**	**78,045**
Reconciliation difference	-	-
Total available own funds to meet Group SCR	**(50,498)**	**78,045**

Equitas Insurance Limited	Solvency II value £000	GAAP value £000
Tier 1 Funds		
Called up share capital	16,500	16,500
Retained Earnings	-	34,987
Reconciliation reserve	(93,480)	-
Net Assets (Excess Assets over Liabilities)	**(76,980)**	**51,487**
Tier 2 Funds		
Subordinated Loan	20,242	20,242
Reconciliation difference	-	
Total available own funds to meet Company SCR	**(56,738)**	**71,729**

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.

The Group does not have any ancillary own funds.

Own funds are not required to finance insurance claims payments and are invested in a bond portfolio managed by BlackRock investment managers.

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 2017 was £125,946k and Minimum Capital Requirement (MCR) at 31 March 2017 was £32,110k.

EIL's Solvency Capital Requirement at 31 March 2017 was £128,441k and the Minimum Capital Requirement at 31 March 2017 was £32,110k.

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

EIL Solo basis and EHL Group basis, as at 31 March 2017

	EIL Solo		**EHL Group**	
	£000s	**£000s**	**£000s**	**£000s**
Technical provisions' adjustments				
Net best estimate		78,496		78,496
Risk Margin		49,971		50,047
Total TPs		**128,467**		**128,543**
Standard Formula SCR				
Reserve Risk		26,228		26,228
Interest Rate Risk	*11,508*		*11,414*	
Equity Risk	*8,948*		*0*	
Spread Risk	*1,321*		*4,086*	
Currency Risk	*19,355*		*19,368*	
Concentration Risk	*32*		*0*	
Diversification	*(10,578)*		*(8,057)*	
Market Risk		30,586		26,811
Counterparty default Risk		69,970		70,096
Diversification Credit		(27,983)		(26,254)
Basic SCR		**98,801**		**96,881**
Operational Risk		29,640		29,065
Final Standard Formula SCR		**128,441**		**125,946**
MCR		**32,110**		**32,110**

Calculation of Minimum Capital Requirement, as at 31 March 2017

		EIL Solo	EHL Group
		£000s	**£000s**
Linear MCR		10,555	10,555
SCR		**128,441**	**125,946**
MCR cap	45% of SCR	57,798	56,676
MCR Floor	25% of SCR	32,110	31,486
Combined MCR		32,110	32,110
Absolute Floor of the MCR	€3,700	3,332	3,332
Minimum Capital Requirement		32,110	32,110

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 £78,045k. The Solvency II additional Technical Provisions adjustment of £128,543k as offset by the £78,045k UK GAAP Retained Earnings, results in a shortfall in capital of £50,498k therefore the Group does not meet either the Solvency Capital

Requirement or the Minimum Capital Requirement referred to in E2 above. The Group does not expect the shortfall to be rectified in the foreseeable future.

Similarly, Equitas Insurance Limited had surplus funds of £51,487k under UK GAAP, increasing to £71,729k with the inclusion of the Subordinated Loan due to Equitas Holdings Limited. The Solvency II additional Technical provisions adjustment of £128,467k as offset by the £34,987k UK GAAP Retained Earnings, results in a shortfall of £56,738k therefore the Company does not meet the Solvency Capital Requirement or the Minimum Capital Requirement. The Company does not expect the shortfall to be rectified in the foreseeable future.

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

Equitas Holdings Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 March 2017

We certify that:

the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

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 to the insurer; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Group has continued so to comply, and will continue so to comply in future.

J W Heap
Chief Executive Officer
Date: 12th September 2017

INDEPENDENT AUDITOR'S REPORT

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 2017:

- 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 2017, ('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 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (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.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' 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.

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:

Modifications

- Permission to publish a Single Group-Wide SFCR (PRA refs # 4173603, 4553909 & 4553911)

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, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 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. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the

Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the Single Group-Wide Solvency and Financial Condition Report to identify material inconsistencies with the audited relevant elements of the Single Group-Wide Solvency and Financial Condition Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under 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 save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report and our knowledge obtained in the audits of the Single Group-Wide Solvency and Financial Condition Report and 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

London

12 September 2017

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- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

LIST OF APPENDICIES

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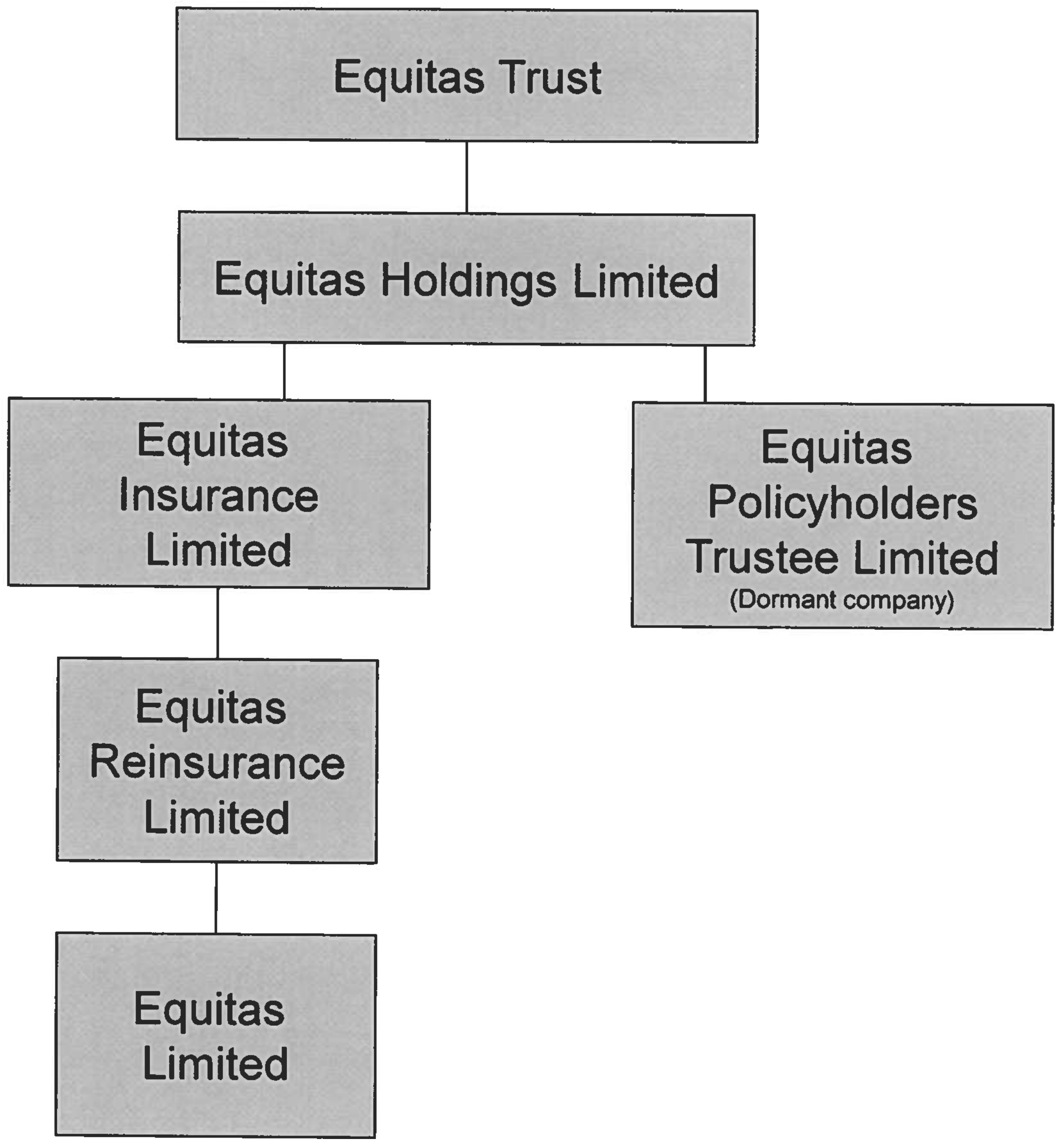
2. **Reinsurance Chain of Security**
3. **SFCR Templates for Equitas Holdings Limited**
4. **SFCR Templates for Equitas Insurance Limited**

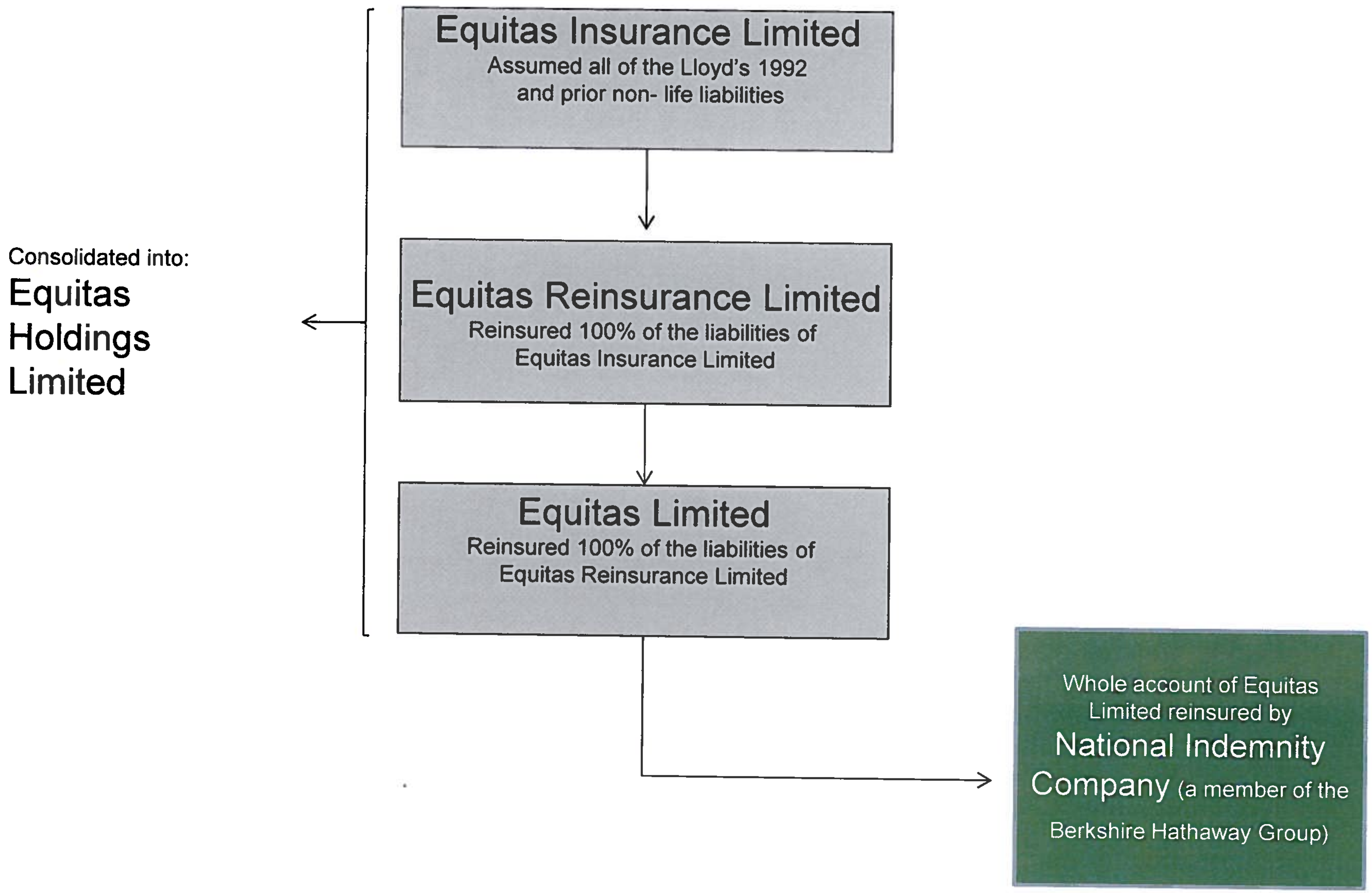
Appendix 1

EQUITAS Legal Structure Chart

Regulated companies:
Equitas Insurance Limited
Equitas Reinsurance Limited
Equitas Limited



EQUITAS
Reinsurance Flow Chart



Equitas Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 March

2017

(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 2017
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
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
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S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Assets	
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)	77,721
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	40,673
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	25,211
R0140	*Government Bonds*	7,550
R0150	*Corporate Bonds*	14,242
R0160	*Structured notes*	0
R0170	*Collateralised securities*	3,419
R0180	*Collective Investments Undertakings*	11,745
R0190	*Derivatives*	93
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:	4,008,388
R0280	*Non-life and health similar to non-life*	4,008,388
R0290	*Non-life excluding health*	3,930,496
R0300	*Health similar to non-life*	77,892
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)	0
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	613
R0420	Any other assets, not elsewhere shown	7
R0500	**Total assets**	4,086,730

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Liabilities	
R0510	Technical provisions - non-life	4,136,856
R0520	*Technical provisions - non-life (excluding health)*	4,056,461
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	4,007,463
R0550	*Risk margin*	48,998
R0560	*Technical provisions - health (similar to non-life)*	80,395
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	79,422
R0590	*Risk margin*	974
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	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	308
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	20,242
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	20,242
R0880	Any other liabilities, not elsewhere shown	6,304
R0900	**Total liabilities**	4,163,710
R1000	**Excess of assets over liabilities**	-76,980

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	67	15	0	473	0	16,274	0	0	0	8					16,837
R0320	Gross - Proportional reinsurance accepted	0	0	74	76	0	127	0	729	0	0	0	2					1,008
R0330	Gross - Non-proportional reinsurance accepted													418	10,219	275	10	10,922
R0340	Reinsurers' share	0	0	141	91	0	600	0	17,004	0	0	0	10	418	10,219	275	10	28,767
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	10	6	0	41	0	1,157	0	0	0	1	28	695	19	1	1,958
R1200	**Other expenses**																	
R1300	**Total expenses**																	1,958

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	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
	Claims incurred							
R0310	Gross - Direct Business	16,837						16,837
R0320	Gross - Proportional reinsurance accepted	1,008						1,008
R0330	Gross - Non-proportional reinsurance accepted	10,922						10,922
R0340	Reinsurers' share	28,767						28,767
R0400	Net	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
R0550	**Expenses incurred**	1,958						1,958
R1200	**Other expenses**							
R1300	**Total expenses**							1,958

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	19,994	12,888	0	85,241	0	2,415,706	0	0	0	1,381	59,427	1,451,751	39,005	1,491	4,086,884
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	19,610	12,663	0	83,606	0	2,369,247	0	0	0	1,354	58,282	1,423,888	38,276	1,461	4,008,388
R0250	**Net Best Estimate of Claims Provisions**	0	0	384	226	0	1,635	0	46,459	0	0	0	27	1,145	27,863	729	29	78,496
R0260	**Total best estimate - gross**	0	0	19,994	12,888	0	85,241	0	2,415,706	0	0	0	1,381	59,427	1,451,751	39,005	1,491	4,086,884
R0270	**Total best estimate - net**	0	0	384	226	0	1,635	0	46,459	0	0	0	27	1,145	27,863	729	29	78,496
R0280	**Risk margin**	0	0	245	144	0	1,041	0	29,576	0	0	0	17	729	17,738	464	19	49,971
	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	20,239	13,032	0	86,282	0	2,445,282	0	0	0	1,398	60,156	1,469,489	39,469	1,509	4,136,856
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0	19,610	12,663	0	83,606	0	2,369,247	0	0	0	1,354	58,282	1,423,888	38,276	1,461	4,008,388
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	0	629	369	0	2,675	0	76,035	0	0	0	44	1,874	45,600	1,193	48	128,467

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 Accident year / underwriting year: Accident Year

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

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											425,135	425,135	425,135
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	N-8	0	0	0	0	0	0	0	0	0			0	0
R0180	N-7	0	0	0	0	0	0	0	0				0	0
R0190	N-6	0	0	0	0	0	0	0					0	0
R0200	N-5	0	0	0	0	0	0						0	0
R0210	N-4	0	0	0	0	0							0	0
R0220	N-3	0	0	0	0								0	0
R0230	N-2	0	0	0									0	0
R0240	N-1	0	0										0	0
R0250	N	0											0	0
R0260												Total	425,135	425,135

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											4,965,486	4,057,737
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0
R0170	N-8	0	0	0	0	0	0	0	0	0			0
R0180	N-7	0	0	0	0	0	0	0	0				0
R0190	N-6	0	0	0	0	0	0	0					0
R0200	N-5	0	0	0	0	0	0						0
R0210	N-4	0	0	0	0	0							0
R0220	N-3	0	0	0	0								0
R0230	N-2	0	0	0									0
R0240	N-1	0	0										0
R0250	N	0											0
R0260												Total	4,057,737

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
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	-93,480	-93,480			
R0140	Subordinated liabilities	20,242		0	20,242	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**	-56,738	-76,980	0	20,242	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	-56,738	-76,980	0	20,242	0
R0510	Total available own funds to meet the MCR	-56,738	-76,980	0	20,242	
R0540	Total eligible own funds to meet the SCR	-56,738	-76,980	0	20,242	0
R0550	Total eligible own funds to meet the MCR	-70,558	-76,980	0	6,422	
R0580	**SCR**	128,441				
R0600	**MCR**	32,110				
R0620	**Ratio of Eligible own funds to SCR**	-44.17%				
R0640	**Ratio of Eligible own funds to MCR**	-219.74%				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	-76,980
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**	-93,480
	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	C0080	C0090
R0010	Market risk	30,586		
R0020	Counterparty default risk	69,970		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	744		
R0050	Non-life underwriting risk	25,484		
R0060	Diversification	-27,984		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	98,801		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	29,640
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**	128,441
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	128,441
	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

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	10,555

		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	384	
R0050	Motor vehicle liability insurance and proportional reinsurance	226	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	1,635	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	46,459	
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	27	
R0140	Non-proportional health reinsurance	1,145	
R0150	Non-proportional casualty reinsurance	27,863	
R0160	Non-proportional marine, aviation and transport reinsurance	729	
R0170	Non-proportional property reinsurance	29	

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	10,555
R0310	SCR	128,441
R0320	MCR cap	57,798
R0330	MCR floor	32,110
R0340	Combined MCR	32,110
R0350	Absolute floor of the MCR	3,332
R0400	**Minimum Capital Requirement**	32,110

Equitas Holdings Limited

Solvency and Financial Condition Report

Disclosures

31 March

2017

(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 2017
Currency used for reporting	GBP
Accounting standards	The group is using local GAAP (other than IFRS)
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

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S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Assets	
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)	82,998
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	56,218
R0140	*Government Bonds*	16,514
R0150	*Corporate Bonds*	31,918
R0160	*Structured notes*	0
R0170	*Collateralised securities*	7,786
R0180	*Collective Investments Undertakings*	26,564
R0190	*Derivatives*	215
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:	4,008,388
R0280	*Non-life and health similar to non-life*	4,008,388
R0290	*Non-life excluding health*	3,930,496
R0300	*Health similar to non-life*	77,892
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)	0
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	2,643
R0420	Any other assets, not elsewhere shown	25
R0500	**Total assets**	4,094,055

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Liabilities	
R0510	Technical provisions - non-life	4,136,931
R0520	*Technical provisions - non-life (excluding health)*	4,056,535
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	4,007,463
R0550	*Risk margin*	49,072
R0560	*Technical provisions - health (similar to non-life)*	80,397
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	79,422
R0590	*Risk margin*	975
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	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	692
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	6,930
R0900	**Total liabilities**	4,144,553
R1000	**Excess of assets over liabilities**	-50,498

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	67	15	0	473	0	16,274	0	0	0	8					16,837
R0320	Gross - Proportional reinsurance accepted	0	0	74	76	0	127	0	729	0	0	0	2					1,008
R0330	Gross - Non-proportional reinsurance accepted													418	10,219	275	10	10,922
R0340	Reinsurers' share	0	0	141	91	0	600	0	17,004	0	0	0	10	418	10,219	275	10	28,767
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	7	4	0	28	0	789	0	0	0	0	19	474	13	0	1,335
R1200	**Other expenses**																	
R1300	**Total expenses**																	1,335

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	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
	Claims incurred							
R0310	Gross - Direct Business	3,367						3,367
R0320	Gross - Proportional reinsurance accepted	202						202
R0330	Gross - Non-proportional reinsurance accepted	2,184						2,184
R0340	Reinsurers' share	5,753						5,753
R0400	Net	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
R0550	**Expenses incurred**	1,335						1,335
R1200	**Other expenses**							
R1300	**Total expenses**							1,335

S.23.01.22

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
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	-50,498	-50,498			
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**	-50,498	-50,498	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 insitutions, alternative investment fund manager, financial institutions	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

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
	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)	-50,498	-50,498	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	-50,498	-50,498	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)	-50,498	-50,498	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	-50,498	-50,498	0	0	
R0610	**Minimum consolidated Group SCR**	32,110				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	-157.26%				
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)**	-50,498	-50,498	0	0	0
R0680	**Group SCR**	125,946				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	-40.09%				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	-50,498
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**	-50,498
	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	C0080	C0090
R0010	Market risk	26,811		
R0020	Counterparty default risk	70,096		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	744		
R0050	Non-life underwriting risk	25,484		
R0060	Diversification	-26,254		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	96,881		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	29,064
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**	125,946
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	125,946
	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	32,110
	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**	125,946

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	21380054ZXKJDP8Y	LEI	Equitas Reinsurance Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority
2	GB	549300LL7IYV1TB2	LEI	Equitas Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority
3	GB	549300Y0D2W0N08	LEI	Equitas Insurance Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority
4	GB	213800WGE6LLJYD	LEI	Equitas Holdings Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority

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Undertakings in the scope of the grou

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	21380054ZXKJDP8Y	LEI	100.00%	100.00%	100.00%	Common Board	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	GB	549300LL7IYV1TB2	LEI	100.00%	100.00%	100.00%	Common Board	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	549300Y0D2W0N08	LEI	100.00%	100.00%	100.00%	Common Board	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800WGE6LLJYD	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation