

# Equitas Holdings Limited

## Solvency & Financial Condition Report

As at 31 March 2018

### Corporate references

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

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## SUMMARY

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### Introduction and summary

This document is the Solvency Financial Conditions Report (SFCR) for Equitas Holdings Limited; it is based on the financial position as at 31 March 2018. This SFCR incorporates both consolidated information at the level of Equitas Holdings Limited and its subsidiaries ("the Group"), and solo information for the subsidiary insurance undertaking Equitas Insurance Limited ("EIL or Solo"). A structure chart for the Group is attached at Appendix 1.

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

### Key Capital Performance Indicators

	Solo		Group	
	2018	2017	2018	2017
	£000s	£000s	£000s	£000s
Available and Eligible Own Funds	(31,644)	(56,738)	(25,351)	(50,498)
Standard Formula Solvency Capital Requirement (SCR)	112,830	128,441	109,075	125,946
SCR Deficit	(144,474)	(185,179)	(134,426)	(176,444)
Minimum Capital Requirement (MCR)	28,207	32,110	28,207	32,110
MCR Deficit	(59,851)	(88,848)	(53,558)	(82,608)
Solvency ratio	(28)%	(44)%	(23)%	(40)%

### **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 on the next page.

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

Available own funds to meet the SCR have increase by circa £25m between 31 March 2017 and 31 March 2018, albeit they remain negative. This increase is driven by a circa £20m reduction in the Solvency II valuation of liabilities, together with the release of circa £5m return premium payable to Reinsured Names.

## **The National Indemnity Reinsurance Agreement**

### ***Overview***

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

### ***Current cover position***

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

	<i>2018</i>	<i>2017</i>
	<i>\$m</i>	<i>\$m</i>
Additional reinsurance cover available at 1 April 2017/2016	4,601	4,707
Movement in provisions	(72)	(54)
Exchange differences	20	(52)
<b>Additional reinsurance cover available at</b>		
<b>31 March 2018/2017</b>	<b>4,549</b>	<b>4,601</b>

As at 31 March 2018, \$2,471 million (or 35.3%) (2017: \$2,399 million (or 34.3%)) 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 2017, National Indemnity had \$129bn surplus as regards policyholders and total assets of \$231bn.

#### **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. EIL is subject to the requirements of the Solvency II directive and Equitas Holdings Limited is required to report under Solvency II as the group holding company. Equitas Limited and Equitas Reinsurance Limited whilst not subject to Solvency II do have to report solvency criteria in line with the Solvency I requirements and, for similar reasons do not meet the capital requirements. At the time the Part VII was approved by the High Court our confidence level that the NICO reinsurance would be sufficient to cover loss to ultimate was assessed at 96.9%. Our current assessment is 95.5%.

## **Governance**

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

The Board meets regularly to receive the operational reports for the Group from RMSL relating to the run-off activities, monitor the investment 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).

## A. BUSINESS AND PERFORMANCE

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### 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.

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

### **Name and legal form of the Undertakings**

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

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

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

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

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

### **The National Indemnity Transaction**

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

### **Future outlook**

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

As expected, the capital requirements have not been met and it is unlikely that the requirement will be met in the foreseeable future. Equitas Insurance Limited (EIL) was formed under the less onerous capital requirements of Solvency I and the Group has no means of raising additional capital. Nevertheless, the Board believes that the substantial unutilised reinsurance cover available makes the prospect of the failure of EIL 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/prd](http://www.bankofengland.co.uk/prd) or at 20 Moorgate, London, EC2R 6DA.

The FCA may be contacted through their website at [www.fca.org.uk](http://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 2018

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 2018, the Group reported a profit after taxation of £4,759k (2017 £431k loss), driven by the release of circa £5m return premium payable to Reinsured Names.

As at 31 March 2018, the Group had Shareholders' funds amounting to £82,804K (2017 £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 £000s	Reinsurance £000s	Net £000s
Provisions at 1 April 2017	4,965,486	(4,965,486)	-
Payments, receipts and accruals	(193,102)	193,102	-
Reassessment of liabilities and reinsurances	92,307	(92,307)	-
Exchange movements	(445,204)	445,204	-
Provisions at 31 March 2018	4,419,487	(4,419,487)	-

	Claims £000s	Reinsurance £000s	Net £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 £92,307K (2017 £28,767k) of Incurred losses have arisen fully from UK-written business, of which £90,590k (2017 £27,222k) 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 2018**

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 2018 the derivative position for the Group was a net £(910)k (2017 net £(466)k).

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 Annual report and Financial Statements.

The estimated fair value of these investments held by the Group as at 31 March 2018 was £81,725k (2017 £83,169k) (EIL £36,991k; 2017 £37,144k). For the year ended 31 March 2018, the Group reported an investment return gain of £538k (2017 £904k), with associated investment management fees of £212k (2017 £221k) (EIL: £282k income less £95k fees; 2017 £538k income less £98k fees).

The EHL Board of Directors is satisfied with the 2018 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 2018 were £1,306k (2017 £1,335k) for the Group, including £1,142k (2017 £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

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### B1. General information on the System of Governance

#### Ownership

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

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

#### Board

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

Board members at 31 March 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
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.

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

Key responsibilities of the Board include:

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

## **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

	2018		2017	
	EIL	EHL	EIL	EHL
	Solo	Group	Solo	Group
	£000s	£000s	£000s	£000s
Insurance Risk	22,614	22,614	26,228	26,228
Market Risk	27,945	22,413	30,586	26,811
Counterparty default Risk	61,108	61,217	69,970	70,096
Diversification Credit	(24,875)	(22,341)	(27,983)	(26,254)
<b>Basic SCR</b>	<b>86,792</b>	<b>83,904</b>	<b>98,801</b>	<b>96,881</b>
Operational Risk	26,038	25,171	29,640	29,065
<b>Final Standard Formula SCR</b>	<b>112,830</b>	<b>109,075</b>	<b>128,441</b>	<b>125,946</b>
<b>MCR</b>	<b>28,207</b>	<b>28,207</b>	<b>32,110</b>	<b>32,110</b>

### 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 US\$128bn and total assets of US\$231bn 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.

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

### **C5. Operational Risk**

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

### **C6. Other Material Risks**

There are no other material risks.

### **C7. Stress testing and sensitivity analysis**

As the group is in run-off, management also considers the capital requirement to a confidence level of 97.5% to ultimate. This is considered managements' Own Economic Capital Requirement and this gives management an additional view of the Risk Profile. As shown on the next page, managements' Own Economic Capital Requirement at 31st March 2018 is £357m, which greatly exceeds available own funds.

The models used to calculate best estimate provisions and capital requirements are based on a number of parameter assumptions.

Sensitivity analyses are performed on these models. This informs management regarding the more sensitive parameters. These sensitivity exercises are undertaken for both managements' assessment of the OECR and for the Solvency II regulatory capital requirement.

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.

	2018		2017	
Sensitivity	Discounted Net Best Estimate £000s	OECR (Ultimate basis) £000s	Discounted Net Best Estimate £000s	OECR (Ultimate basis) £000s
Base, selected	67,255	356,976	78,496	448,497
Higher loss variability	104,014	862,098	124,849	1,016,282
Lower loss variability <sup>1</sup>	43,562	(24,049)	50,569	(27,962)
Higher correlation between classes	74,805	485,820	87,835	582,098
Lower correlation between classes	60,650	225,432	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.

<sup>1</sup> A negative OECR indicates that the net best estimate (mean) is above the 97.5<sup>th</sup> 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

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The details of the Group's Assets and Liabilities as at 31 March 2018 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.



<b>Equitas Holdings Limited Group</b> <b>Solvency II Balance Sheet as at 31 March 2018, £000</b>	<b>Notes</b>	<b>UK GAAP</b>	<b>Reclass'n Adj's</b>	<b>Solvency II Value Adjustments</b>		<b>Solvency II</b>
				<b>Technical Provisions</b>	<b>Other</b>	
<b>Assets</b>						
<b>Total Investments</b>		<b>80,976</b>	<b>1,614</b>			<b>82,590</b>
Government Bonds	1	16,056	51			16,107
Corporate Bonds	1	36,532	458			36,990
Collateralised Securities	1	5,405	5			5,410
Collective Investment Undertakings	1	23,420				23,420
Derivatives	3	(910)	1,100			190
Deposits other than cash equivalents	1	473				473
<b>Reinsurance Recoverables</b>	<b>2</b>	<b>4,419,487</b>		<b>(923,028)</b>		<b>3,496,459</b>
Non-life excluding health		4,337,310		(905,869)		3,431,441
Health similar to non-life		82,177		(17,159)		65,018
<b>Cash and cash equivalents</b>	<b>1</b>	<b>1,529</b>				<b>1,529</b>
<b>Other assets</b>	<b>1</b>	<b>570</b>	<b>(514)</b>			<b>62</b>
<b>Total Assets</b>		<b>4,502,568</b>	<b>1,100</b>	<b>(923,028)</b>		<b>3,580,640</b>
<b>Liabilities</b>						
<b>Total Non-Life Technical Provisions</b>		<b>4,419,487</b>		<b>(814,873)</b>		<b>3,604,614</b>
Technical provisions – non-life excluding health	4	4,337,310		(799,718)		3,537,592
Best Estimate	4					3,497,450
Risk margin						40,143
Technical provisions - health (similar to non-life)		82,177		(15,155)		67,022
Best estimate	4					66,264
Risk Margin	4					758
<b>Derivatives</b>	<b>3</b>		<b>1,100</b>			<b>1,100</b>
<b>Other liabilities</b>	<b>5</b>	<b>277</b>				<b>277</b>
<b>Total Liabilities</b>		<b>4,419,764</b>	<b>1,100</b>	<b>(814,873)</b>		<b>3,605,991</b>
<b>Excess of Assets over Liabilities</b>		<b>82,804</b>		<b>(108,155)</b>		<b>(25,351)</b>

<b>Equitas Holdings Limited Group</b> <b>Solvency II Balance Sheet as at 31 March 2017, £000</b>	<b>Notes</b>	<b>UK GAAP</b>	<b>Reclass'n Adj's</b>	<b>Solvency II Value Adjustments</b>		<b>Solvency II</b>
				<b>Technical Provisions</b>	<b>Other</b>	
<b>Assets</b>						
<b>Total Investments</b>		<b>81,892</b>	<b>1,106</b>			<b>82,998</b>
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					
<b>Reinsurance Recoverables</b>	<b>2</b>	<b>4,965,486</b>		<b>(957,098)</b>		<b>4,008,388</b>
Non-life excluding health		4,880,548		(950,052)		3,930,496
Health similar to non-life		84,938		(7,046)		77,892
<b>Cash and cash equivalents</b>	<b>1</b>	<b>2,643</b>				<b>2,643</b>
<b>Other assets</b>	<b>1</b>	<b>439</b>	<b>(414)</b>			<b>25</b>
<b>Total Assets</b>		<b>5,050,460</b>	<b>692</b>	<b>(957,098)</b>		<b>4,094,055</b>
<b>Liabilities</b>						
<b>Total Non-Life Technical Provisions</b>		<b>4,965,486</b>		<b>(828,555)</b>		<b>4,136,931</b>
Technical provisions – non-life excluding health	4	4,880,548		<b>(824,013)</b>		<b>4,056,535</b>
Best Estimate	4					4,007,463
Risk margin						49,072
Technical provisions - health (similar to non-life)		84,938		<b>(4,542)</b>		<b>80,397</b>
Best estimate	4					79,422
Risk Margin	4					975
<b>Derivatives</b>	<b>3</b>		<b>692</b>			<b>692</b>
<b>Other liabilities</b>	<b>5</b>	<b>6,930</b>				<b>6,930</b>
<b>Total Liabilities</b>		<b>4,972,415</b>	<b>692</b>	<b>(828,555)</b>		<b>4,144,552</b>
<b>Excess of Assets over Liabilities</b>		<b>78,045</b>		<b>(128,543)</b>		<b>(50,498)</b>

<b>Equitas Insurance Limited Solo</b> <b>Solvency II Balance Sheet</b> <b>as at 31 March 2018, £000</b>	<b>Notes</b>	<b>UK GAAP</b>	<b>Reclass'n Adj's</b>	<b>Solvency II Value Adjustments</b>		<b>Solvency II</b>
				<b>Technical Provisions</b>	<b>Other</b>	
<b>Assets</b>						
<b>Total Investments</b>		<b>82,943</b>	<b>726</b>			<b>83,669</b>
Holdings in related undertakings		46,315				46,315
Government Bonds	1	7,128	23			7,151
Corporate Bonds	1	16,542	205			16,747
Collateralised Securities	1	2,360	2			2362
Collective Investment Undertakings	1	10,778				10,778
Derivatives	3	(413)	496			83
Deposits other than cash equivalents	1	233				233
<b>Reinsurance Recoverables</b>	<b>2</b>	<b>4,419,487</b>		<b>(923,028)</b>		<b>3,496,459</b>
Non-life excluding health		4,337,310		(905,869)		3,431,441
Health similar to non-life		82,177		(17,159)		65,018
<b>Cash and cash equivalents</b>	<b>1</b>	<b>364</b>				<b>364</b>
<b>Other assets</b>	<b>1</b>	<b>268</b>	<b>(230)</b>			<b>38</b>
<b>Total Assets</b>		<b>4,503,062</b>	<b>496</b>	<b>(923,028)</b>		<b>3,580,530</b>
<b>Liabilities</b>						
<b>Total Non-Life Technical Provisions</b>		<b>4,419,487</b>		<b>(814,873)</b>		<b>3,604,614</b>
Technical provisions – non-life excluding health	4	4,337,310		(799,718)		3,537,592
Best Estimate	4					3,497,450
Risk margin						40,143
Technical provisions - health (similar to non-life)		82,177		(15,155)		67,022
Best estimate	4					66,264
Risk Margin	4					758
<b>Derivatives</b>	<b>3</b>		<b>496</b>			<b>496</b>
<b>Sub-Ordinated Loans</b>	<b>5</b>	<b>21,066</b>				<b>21,066</b>
<b>Other liabilities</b>	<b>5</b>	<b>7,064</b>				<b>7,064</b>
<b>Total Liabilities</b>		<b>4,447,617</b>	<b>496</b>	<b>(814,873)</b>		<b>3,633,240</b>
<b>Excess of Assets over Liabilities</b>		<b>55,445</b>		<b>(108,155)</b>		<b>(52,710)</b>

<b>Equitas Insurance Limited Solo</b> <b>Solvency II Balance Sheet</b> <b>as at 31 March 2017, £000</b>	<b>Notes</b>	<b>UK GAAP</b>	<b>Reclass'n</b> <b>Adj's</b>	<b>Solvency II Value</b> <b>Adjustments</b>		<b>Solvency II</b>
				<b>Technical</b> <b>Provisions</b>	<b>Other</b>	
<b>Assets</b>						
<b>Total Investments</b>		<b>77,222</b>	<b>499</b>			<b>77,721</b>
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					
<b>Reinsurance Recoverables</b>	<b>2</b>	<b>4,965,486</b>		<b>(957,098)</b>		<b>4,008,388</b>
Non-life excluding health		4,880,548		(950,052)		3,930,496
Health similar to non-life		84,938		(7,046)		77,892
<b>Cash and cash equivalents</b>	<b>1</b>	<b>613</b>				<b>613</b>
<b>Other assets</b>	<b>1</b>	<b>198</b>	<b>(191)</b>			<b>7</b>
<b>Total Assets</b>		<b>5,043,519</b>	<b>308</b>	<b>(957,098)</b>		<b>4,086,730</b>
<b>Liabilities</b>						
<b>Total Non-Life Technical Provisions</b>		<b>4,965,486</b>		<b>(828,631)</b>		<b>4,136,856</b>
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
<b>Derivatives</b>	<b>3</b>		<b>308</b>			<b>308</b>
<b>Sub-Ordinated Loans</b>	<b>5</b>	<b>20,242</b>				<b>20,242</b>
<b>Other liabilities</b>	<b>5</b>	<b>6,305</b>				<b>6,305</b>
<b>Total Liabilities</b>		<b>4,992,031</b>	<b>308</b>	<b>(828,631)</b>		<b>4,163,710</b>
<b>Excess of Assets over Liabilities</b>		<b>51,487</b>		<b>(128,467)</b>		<b>(76,980)</b>

## **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/(liability), 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.

### **Changes in valuation basis / assumptions**

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

## 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 Lloyd's standard formula template for our calculations, and this strategy has been approved by the Prudential Regulatory Authority. The Lloyd's standard formula template includes some simplifications in the calculations, which are either immaterial to or do not apply for Equitas.

With reference to the Solvency II Balance Sheets for EHL Group and EIL Solo on pages 25 & 27 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 set to zero GBP on the basis of a point estimate. Solvency II (SII) requires technical provisions to reflect a best estimate of all possible outcomes. We use a Stochastic Model to simulate losses against the NICO reinsurance. In a small minority of simulations the NICO reinsurance exhausts, leading to an Undiscounted Net Best Estimate of £59,417k (2017 £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 £33,489k (2017 £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 £34,627k (2017 £37,052k) undiscounted and £26,642k (2017 £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 £1.9 billion (2017 £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 £10,379k (2017 12,529k) undiscounted and £7,123k (2017 £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 was £40,901k for both Group & Solo (2017 Group £50,047k , Solo £49,971k - with minor differences in prior year underlying assumptions now discontinued).

#### **Changes in valuation basis / assumptions**

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

#### **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.

#### **Alternative Valuation Methods**

The Group do not use any alternative valuation methods

#### **Changes in valuation basis / assumptions**

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

#### **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**

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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 £21,066k (2017 £20,242k) subordinated loan from Equitas Holdings Limited, classified as Tier 2 capital. Interest of £824k (2017 £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 but insufficient to meet both the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR).

The details of the Group's Own Funds as at 31 March 2018 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.

Available own funds to meet the SCR have increase by circa £25m between 31 March 2017 and 31 March 2018, albeit they remain negative. This increase is driven by a circa £20m reduction in the Solvency II valuation of liabilities and the release of circa £5m return premium payable to the Reinsured Names. The £20m reduction in the Solvency II valuation of liabilities is attributable to the strengthening of the Pound against the US Dollar, an increase in the risk free yields used for discounting, as well as a decrease in the likelihood of the NICO reinsurance cover exhausting (the latter being driven by an increase in the ratio of the NICO cover remaining to our best estimate of gross claim liabilities remaining).

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

<b>Equitas Holdings Limited Group</b>	<b>2018</b>		<b>2017</b>	
	<b>Solvency II value £000</b>	<b>GAAP value £000</b>	<b>Solvency II value £000</b>	<b>GAAP value £000</b>
<b>Tier 1 Funds</b>				
Called up share capital	-	-	-	-
Retained Earnings	-	82,804	-	78,045
Reconciliation reserve	(25,351)	-	(50,498)	-
<b>Net Assets (Excess Assets over Liabilities)</b>	<b>(25,351)</b>	<b>82,804</b>	<b>(50,498)</b>	<b>78,045</b>
Reconciliation difference	-	-	-	-
<b>Total available own funds to meet Group SCR</b>	<b>(25,351)</b>	<b>82,804</b>	<b>(50,498)</b>	<b>78,045</b>
<b>Total available own funds to meet Minimum Consolidated Group SCR</b>	<b>(25,351)</b>	<b>82,804</b>	<b>(50,498)</b>	<b>78,045</b>

<b>Equitas Insurance Limited</b>	<b>2018</b>		<b>2017</b>	
	<b>Solvency II value £000</b>	<b>GAAP value £000</b>	<b>Solvency II value £000</b>	<b>GAAP value £000</b>
<b>Tier 1 Funds</b>				
Called up share capital	16,500	16,500	16,500	16,500
Retained Earnings	-	38,945	-	34,987
Reconciliation reserve	(69,210)	-	(93,480)	-
<b>Net Assets (Excess Assets over Liabilities)</b>	<b>(52,710)</b>	<b>55,445</b>	<b>(76,980)</b>	<b>51,487</b>
<b>Tier 2 Funds</b>				
Subordinated Loan	21,066	21,066	20,242	20,242
Reconciliation difference	-	-	-	-
<b>Total available own funds to meet Company SCR</b>	<b>(31,644)</b>	<b>76,511</b>	<b>(56,738)</b>	<b>71,729</b>
<b>Total available own funds to meet Company MCR</b>	<b>(47,069)</b>	<b>76,511</b>	<b>(70,558)</b>	<b>71,729</b>

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

These valuations differences are highlighted within the tables in Section D. For both Group and Solo, these differences are the impact of the valuation changes of the Technical Provisions under the two bases, being £108,155k at 31 March 2018 (2017: £128,467k for Solo and £128,543k for the Group). The table in Section E2 (below) provides more detail on the underlying valuation changes.

The Group does not have any ancillary own funds.

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

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

## **E2. Solvency Capital Requirement and Minimum Capital Requirement**

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

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

The Group's Solvency Capital Requirement (SCR) at 31 March 2018 was £109,075 (2017 125,946k) and Minimum Consolidated Group SCR at 31 March 2018 was £28,207k (2017 £32,110k).

EIL's Solvency Capital Requirement at 31 March 2018 was £112,830k (2017 £128,441k) and the Minimum Capital Requirement at 31 March 2018 was £28,207k (2017 £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**

	<b>EIL Solo</b>		<b>EHL Group</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b><u>Technical provisions' adjustments</u></b>				
Net best estimate	67,255	78,496	67,255	78,496
Risk Margin	40,901	49,971	40,901	50,047
<b>Total TPs</b>	<b>108,155</b>	<b>128,467</b>	<b>108,155</b>	<b>128,543</b>

<b><u>Standard Formula SCR</u></b>				
Reserve Risk	22,614	26,228	22,614	26,228
<i>Interest Rate Risk</i>	<i>10,502</i>	<i>11,508</i>	<i>10,202</i>	<i>11,414</i>
<i>Equity Risk</i>	<i>10,189</i>	<i>8,947</i>	<i>0</i>	<i>0</i>
<i>Spread Risk</i>	<i>1,632</i>	<i>1,321</i>	<i>3,591</i>	<i>4,086</i>
<i>Currency Risk</i>	<i>15,543</i>	<i>19,355</i>	<i>15,543</i>	<i>19,368</i>
<i>Concentration Risk</i>	<i>37</i>	<i>32</i>	<i>80</i>	<i>0</i>
<i>Diversification</i>	<i>(9,958)</i>	<i>(10,578)</i>	<i>(7,002)</i>	<i>(8,057)</i>
Market Risk	27,945	30,586	22,413	26,811
Counterparty default Risk	61,108	69,970	61,217	70,096
Diversification Credit	(24,875)	(27,983)	(22,341)	(26,254)
<b>Basic SCR</b>	<b>86,792</b>	<b>98,801</b>	<b>83,904</b>	<b>96,881</b>
Operational Risk	26,038	29,640	25,171	29,065
<b>Final Standard Formula SCR</b>	<b>112,830</b>	<b>128,441</b>	<b>109,075</b>	<b>125,946</b>
<b>MCR</b>	<b>28,207</b>	<b>32,110</b>	<b>28,207</b>	<b>32,110</b>

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

		EIL solo		EHL Group	
		2018	2017	2018	2017
		£000s	£000s	£000s	£000s
Linear MCR		9,073	10,555	9,073	10,555
<b>SCR</b>		<b>112,830</b>	<b>128,411</b>	<b>109,075</b>	<b>125,946</b>
MCR cap	45% of SCR	50,773	57,798	49,084	56,676
MCR floor	25% of SCR	28,207	32,110	27,269	31,486
Combined MCR		28,207	32,110	28,207	32,110
Absolute floor of MCR €3,700		3,251	3,332	3,251	3,332
<b>Minimum Capital Requirement</b>		<b>28,207</b>	<b>32,110</b>	<b>28,207</b>	<b>32,110</b>

#### 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 £82,804k (2017 78,045k). The Solvency II additional Technical Provisions adjustment of £108,155k (2017 £128,543k) as offset by the £82,804k (2017 £78,045k) UK GAAP Retained Earnings, results in a shortfall in own funds of £25,351k (2017 £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 £55,445k (2017 £51,487k) under UK GAAP, increasing to £76,511k (2017 £71,729k) with the inclusion of the Subordinated Loan due to Equitas Holdings Limited. The Solvency II additional Technical provisions adjustment of £108,155k (2017 £128,467k) to UK GAAP Retained Earnings, results in a shortfall in own funds of £31,644k (2017 £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**

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### **Equitas Holdings Limited**

Approval by the Board of Directors of the Solvency and Financial Condition Report  
Financial period ended 31 March 2018.

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  
6 June 2018

## INDEPENDENT AUDITOR'S REPORT

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**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 2018:

- 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 2018, (**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 2018 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.



### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

The Directors are responsible for the Other Information.

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

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our

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

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

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

#### **Modifications**

- Permission to publish a Single Group-Wide SFCR

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

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

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

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

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' 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 also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*PricewaterhouseCoopers UP*

*PricewaterhouseCoopers LLP*

*Chartered Accountants*

London

6 June 2018

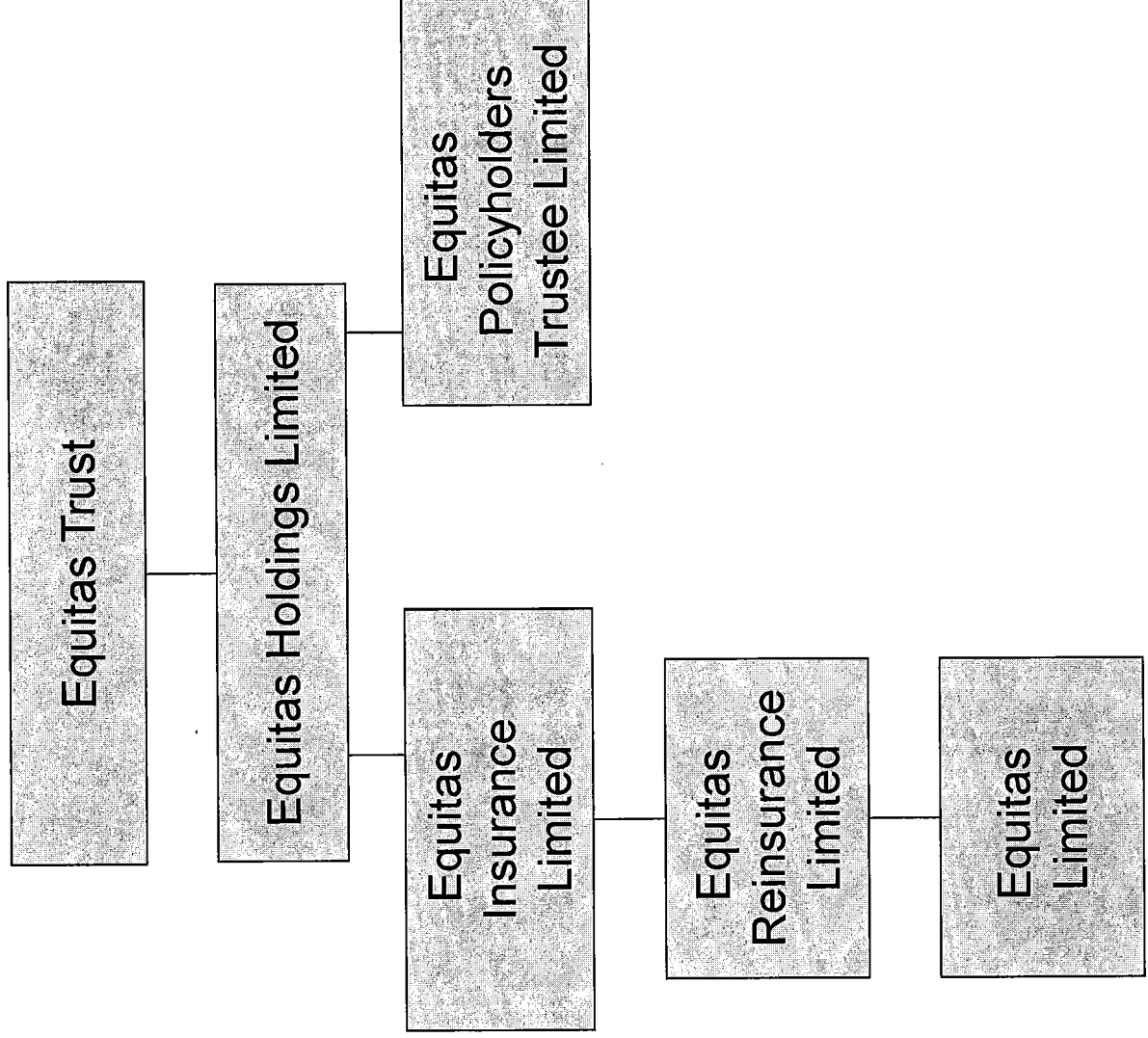
## **LIST OF APPENDICES**

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

# EQUITAS

## Structure Chart

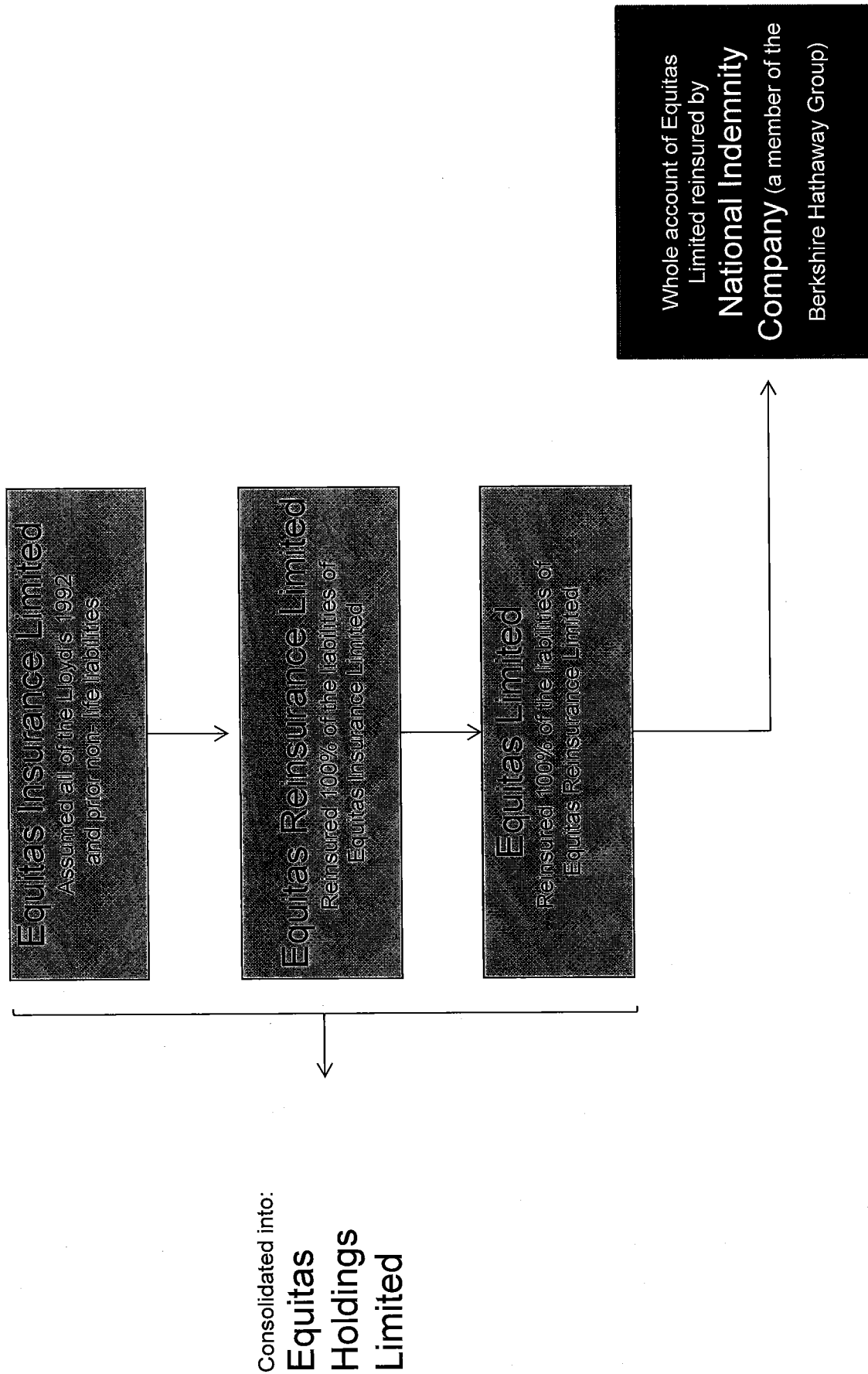


Regulated companies:  
Solvency II:  
Equitas Insurance Limited  
Non-Directive companies:  
Equitas Reinsurance Limited  
Equitas Limited



Appendix 2

# Equitas Group Reinsurance Flow Chart







# Equitas Holdings Limited

## Solvency and Financial Condition Report

### Disclosures

31 March

**2018**

(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 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

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

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
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)	82,590
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	58,507
R0140	<i>Government Bonds</i>	16,107
R0150	<i>Corporate Bonds</i>	36,990
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	5,410
R0180	<i>Collective Investments Undertakings</i>	23,420
R0190	<i>Derivatives</i>	190
R0200	<i>Deposits other than cash equivalents</i>	473
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	3,496,459
R0280	<i>Non-life and health similar to non-life</i>	3,496,459
R0290	<i>Non-life excluding health</i>	3,431,441
R0300	<i>Health similar to non-life</i>	65,019
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
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	1,529
R0420	Any other assets, not elsewhere shown	62
R0500	<b>Total assets</b>	<b>3,580,641</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	3,604,615
R0520	<i>Technical provisions - non-life (excluding health)</i>	3,537,592
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	3,497,449
R0550	<i>Risk margin</i>	40,143
R0560	<i>Technical provisions - health (similar to non-life)</i>	67,022
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	66,265
R0590	<i>Risk margin</i>	758
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	1,100
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	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	277
R0900	<b>Total liabilities</b>	3,605,992
R1000	<b>Excess of assets over liabilities</b>	-25,352

### Premiums, claims and expenses by line of business

## Non-life

[illegible]

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
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
R0010							
<b>Premiums written</b>							
R0110							0
R0120							0
R0130							0
R0140							0
R0200	0	0	0	0	0	0	0
R0200							0
<b>Premiums earned</b>							
R0210							0
R0220							0
R0230							0
R0240							0
R0300	0	0	0	0	0	0	0
R0300							0
<b>Claims incurred</b>							
R0310	10,732						10,732
R0320	651						651
R0330	7,079						7,079
R0340	18,461						18,461
R0400	0	0	0	0	0	0	0
R0400							0
<b>Changes in other technical provisions</b>							
R0410							0
R0420							0
R0430							0
R0440							0
R0500	0	0	0	0	0	0	0
R0500							0
R0550							0
R1200							
R1300							0

## Own Funds

**Basic own funds before deduction for participations in other financial sector**

Basic own funds before deduction for participations in other financial sector					
Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	
C0010	C0020	C0030	C0040	C0050	
Ordinary share capital (gross of own shares)	0	0			
Non-available called but not paid in ordinary share capital at group level	0				
Share premium account related to ordinary share capital	0	0	0		
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0			
Subordinated mutual member accounts	0	0	0		
Non-available subordinated mutual member accounts at group level	0				
Surplus funds	0	0			
Non-available surplus funds at group level	0	0			
Preference shares	0		0	0	
Non-available preference shares at group level	0		0		
Share premium account related to preference shares	0		0	0	
Non-available share premium account related to preference shares at group level	0				
Reconciliation reserve	-25,352	-25,352			
Subordinated liabilities	0		0	0	
Non-available subordinated liabilities at group level	0				
An amount equal to the value of net deferred tax assets	0				
The amount equal to the value of net deferred tax assets not available at the group level	0				
Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	
Non available own funds related to other own funds items approved by supervisory authority	0				
Minority interests (if not reported as part of a specific own fund item)	0				
Non-available minority interests at group level	0				
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					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	0				
whereof deducted according to art 228 of the Directive 2009/138/EC	0				
Deductions for participations where there is non-availability of information (Article 229)	0				
Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	
Total of non-availability own fund items	0	0	0	0	
Total deductions	0	0	0	0	
Total basic own funds after deductions	-25,352	-25,352	0	0	
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
Unpaid and uncalled preference shares callable on demand	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Non available ancillary own funds at group level	0				
Other ancillary own funds	0				
Total ancillary own funds	0		0	0	
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
Institutions for occupational retirement provision	0				
Non regulated entities carrying out financial activities	0	0	0	0	
Total own funds of other financial sectors	0	0	0	0	

Our fund-form the financial statements that should not be recognized by the recognition reserve and do not meet the criteria to be classified as Solvency II own funds

## R0300 Unpaid and uncalled ordinary share capital callable on demand

R03200	Unpaid and uncalled ordinary share capital callable on demand	
R03310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	
R03270	Unpaid and uncalled preference shares callable on demand	
R03330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	
R03340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	
R03350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	
R03660	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	
R03770	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	
R03800	Non available ancillary own funds at group level	
R03900	Other ancillary own funds	
R04000	<b>Total ancillary own funds</b>	
	<b>Own funds of other financial sectors</b>	
R04100	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	
R04200	Institutions for occupational retirement provision	
R04300	Non regulated entities carrying out financial activities	
R04400	<b>Total own funds of other financial sectors</b>	

Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies

R0410 Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies

R0420 Institutions for occupational retirement provision

R0430 Non regulated entities carrying out financial activities

R0440 Total own funds of other financial sectors

Basic own funds before deduction for participations in other financial sector

Own funds when using the DBA, exclusively or in combination of method 1

R0450	Own funds aggregated when using the DBA and combination of method
R0460	Own funds aggregated when using the DBA and combination of method net of IGT
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via DBA )
R0530	Total available own funds to meet the minimum consolidated group SCR
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via DBA )
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)
R0610	Minimum consolidated Group SCR
R0650	Ratio of Eligible own funds to Minimum Consolidated Group SCR
R0660	Total eligible own funds to meet the group SCR (Including own funds from other financial sector and from the undertakings included via DBA )
R0680	Group SCR
R0690	Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via DBA

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Forseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0750	Other non available own funds
R0760	Reconciliation reserve

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)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0				
0				
-25,352	-25,352	0	0	0
-25,352	-25,352	0	0	0
-25,352	-25,352	0	0	0
-25,352	-25,352	0	0	0
28,207				
-89,88%				
-25,352	-25,352	0	0	0
109,075				
-23,24%				
C0060				
-25,352				
0				
0				
-25,352				
0				



S.25.01.22

**Solvency Capital Requirement - for groups on Standard Formula**

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	22,413		
R0020 Counterparty default risk	61,217		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	608		
R0050 Non-life underwriting risk	22,007		
R0060 Diversification	-22,341		
R0070 Intangible asset risk	0		
R0100 <b>Basic Solvency Capital Requirement</b>	83,904		
<b>Calculation of Solvency Capital Requirement</b>			
	C0100		
R0130 Operational risk	25,171		
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 <b>Solvency Capital Requirement excluding capital add-on</b>	109,075		
R0210 Capital add-ons already set	0		
R0220 <b>Solvency capital requirement for undertakings under consolidated method</b>	109,075		
<b>Other information on SCR</b>			
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	28,207		
<b>Information on other entities</b>			
R0500 Capital requirement for other financial sectors (Non-insurance capital requirements)	0		
R0510 <i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	0		
R0520 <i>Institutions for occupational retirement provisions</i>	0		
R0530 <i>Capital requirement for non-regulated entities carrying out financial activities</i>	0		
R0540 Capital requirement for non-controlled participation requirements	0		
R0550 Capital requirement for residual undertakings	0		
<b>Overall SCR</b>			
R0560 SCR for undertakings included via D&A	0		
R0570 <b>Solvency capital requirement</b>	109,075		

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
GB	213800542XKJDP8N	LEI	Equitas Reinsurance Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority
GB	549300L7YV1T8Z	LEI	Equitas Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority
GB	549300Y0D2W0K08	LEI	Equitas Insurance Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority
GB	213800WGE6LLYD	LEI	Equitas Holdings Limited	Reinsurance undertaking	companies limited by shares	Non-mutual	Prudential Regulatory Authority

S.32.01.22

## Undertakings in the scope of the group

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	
C0010			C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800542XKJDP8	100.00%	100.00%	100.00%	Common Board	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	GB	549300LL71YV1TB2	100.00%	100.00%	100.00%	Common Board	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	549300Y0D2W0N08	100.00%	100.00%	100.00%	Common Board	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800WGE6LLJYD	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

Row



# Equitas Insurance Limited

## Solvency and Financial Condition Report

### Disclosures

31 March

**2018**

(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 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

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

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	83,670
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	46,315
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	26,261
R0140	<i>Government Bonds</i>	7,151
R0150	<i>Corporate Bonds</i>	16,748
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	2,362
R0180	<i>Collective Investments Undertakings</i>	10,778
R0190	<i>Derivatives</i>	83
R0200	<i>Deposits other than cash equivalents</i>	233
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	3,496,459
R0280	<i>Non-life and health similar to non-life</i>	3,496,459
R0290	<i>Non-life excluding health</i>	3,431,441
R0300	<i>Health similar to non-life</i>	65,019
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
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	364
R0420	Any other assets, not elsewhere shown	38
R0500	<b>Total assets</b>	<b>3,580,531</b>

## S.02.01.02

## Balance sheet

		Solvency II value
Liabilities		C0010
R0510	Technical provisions - non-life	3,604,615
R0520	<i>Technical provisions - non-life (excluding health)</i>	3,537,592
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	3,497,449
R0550	<i>Risk margin</i>	40,143
R0560	<i>Technical provisions - health (similar to non-life)</i>	67,022
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	66,265
R0590	<i>Risk margin</i>	758
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	497
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	21,066
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	21,066
R0880	Any other liabilities, not elsewhere shown	7,063
R0900	<b>Total liabilities</b>	<b>3,633,241</b>
R1000	<b>Excess of assets over liabilities</b>	<b>-52,710</b>



**Premiums, claims and expenses by line of business**

## Non-life

[illegible]

## 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
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
R0010							
<b>Premiums written</b>							
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
<b>Premiums earned</b>							
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
<b>Claims incurred</b>							
R0310 Gross - Direct Business	53,659						53,659
R0320 Gross - Proportional reinsurance accepted	3,254						3,254
R0330 Gross - Non-proportional reinsurance accepted	35,393						35,393
R0340 Reinsurers' share	92,307						92,307
R0400 Net	0	0	0	0	0	0	0
<b>Changes in other technical provisions</b>							
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
<b>Expenses incurred</b>	1,966						1,966
R1200 Other expenses							-5,924
R1300 Total expenses							-3,958

S 17.01.02  
Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance					Total Non-Life obligation
	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 marine, aviation and transport reinsurance	Non-proportional casualty reinsurance	Non-proportional property reinsurance	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
RO010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a whole																	
RO050																	0
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																	
RO150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross																	
RO060	0	0	16,525	11,369	0	75,383	0	2,086,970	0	0	0	7,038	49,740	1,287,434	27,870	1,385	3,563,714
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
RO140	0	0	16,215	11,170	0	73,966	0	2,047,526	0	0	0	6,905	48,804	1,263,155	27,359	1,359	3,496,459
Net Best Estimate of Premium Provisions																	
RO150	0	0	310	199	0	1,416	0	39,445	0	0	0	133	936	24,278	511	26	67,255
Claims provisions																	
RO160	0	0	16,525	11,369	0	75,383	0	2,086,970	0	0	0	7,038	49,740	1,287,434	27,870	1,385	3,563,714
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
RO240	0	0	16,215	11,170	0	73,966	0	2,047,526	0	0	0	6,905	48,804	1,263,155	27,359	1,359	3,496,459
Net Best Estimate of Claims Provisions																	
RO250	0	0	310	199	0	1,416	0	39,445	0	0	0	133	936	24,278	511	26	67,255
Total best estimate - gross																	
RO260	0	0	16,525	11,369	0	75,383	0	2,086,970	0	0	0	7,038	49,740	1,287,434	27,870	1,385	3,563,714
Total best estimate - net																	
RO270	0	0	310	199	0	1,416	0	39,445	0	0	0	133	936	24,278	511	26	67,255
Risk margin																	
RO280	0	0	189	121	0	861	0	23,988	0	0	0	81	569	14,765	311	16	40,901
Amount of the transitional on Technical Provisions																	
RO290																	0
Technical Provisions calculated as a whole																	
RO300																	0
Best estimate																	
RO310																	0
Risk margin																	
RO320																	0
Technical provisions - total																	
RO330	0	0	16,713	11,489	0	76,244	0	2,110,959	0	0	0	7,119	50,309	1,302,199	28,181	1,401	3,604,615
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total																	
RO340	0	0	16,215	11,170	0	73,966	0	2,047,526	0	0	0	6,905	48,804	1,263,155	27,359	1,359	3,496,459
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																	
RO350	0	0	499	319	0	2,278	0	63,433	0	0	0	214	1,505	39,043	822	43	108,155

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020      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	In Current year	Sum of years (cumulative)
Prior	0	0	0	0	0	0	0	0	0	0	10 6 +	193,102	193,102
R0100	0	0	0	0	0	0	0	0	0	0	0	0	0
R0160	0	0	0	0	0	0	0	0	0	0	0	0	0
R0170	0	0	0	0	0	0	0	0	0	0	0	0	0
R0180	0	0	0	0	0	0	0	0	0	0	0	0	0
R0190	0	0	0	0	0	0	0	0	0	0	0	0	0
R0200	0	0	0	0	0	0	0	0	0	0	0	0	0
R0210	0	0	0	0	0	0	0	0	0	0	0	0	0
R0220	0	0	0	0	0	0	0	0	0	0	0	0	0
R0230	0	0	0	0	0	0	0	0	0	0	0	0	0
R0240	0	0	0	0	0	0	0	0	0	0	0	0	0
R0250	0	0	0	0	0	0	0	0	0	0	0	0	0
R0260	0	0	0	0	0	0	0	0	0	0	0	0	0
Total												193,102	193,102

Gross Undiscounted Best Estimate Claims Provisions												
(absolute amount)												
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
Prior	0	0	0	0	0	0	0	0	0	0	4,454,114	3,563,714
R0160	0	0	0	0	0	0	0	0	0	0	0	0
R0170	0	0	0	0	0	0	0	0	0	0	0	0
R0180	0	0	0	0	0	0	0	0	0	0	0	0
R0190	0	0	0	0	0	0	0	0	0	0	0	0
R0200	0	0	0	0	0	0	0	0	0	0	0	0
R0210	0	0	0	0	0	0	0	0	0	0	0	0
R0220	0	0	0	0	0	0	0	0	0	0	0	0
R0230	0	0	0	0	0	0	0	0	0	0	0	0
R0240	0	0	0	0	0	0	0	0	0	0	0	0
R0250	0	0	0	0	0	0	0	0	0	0	0	0
R0260	0	0	0	0	0	0	0	0	0	0	0	0
Total												3,563,714

S.23.01.01

# Own Funds

## Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010 Ordinary share capital (gross of own shares)  
R0030 Share premium account related to ordinary share capital  
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings  
R0050 Subordinated mutual member accounts  
R0070 Surplus funds  
R0090 Preference shares  
R0110 Share premium account related to preference shares  
R0130 Reconciliation reserve  
R0140 Subordinated liabilities  
R0160 An amount equal to the value of net deferred tax assets  
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above

## 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

### Deductions for participations in financial and credit institutions

#### R0230 Total basic own funds after deductions

#### Ancillary own funds

R0300 Unpaid and uncalled ordinary share capital callable on demand  
R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand  
R0320 Unpaid and uncalled preference shares callable on demand  
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand  
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC  
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC  
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
R0390 Other ancillary own funds  
R0400 Total ancillary own funds

#### Available and eligible own funds

R0500 Total available own funds to meet the SCR  
R0510 Total available own funds to meet the MCR  
R0540 Total eligible own funds to meet the SCR  
R0550 Total eligible own funds to meet the MCR

#### R0580 SCR

#### R0600 MCR

#### R0620 Ratio of Eligible own funds to SCR

#### R0640 Ratio of Eligible own funds to MCR

#### Reconciliation reserve

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

#### 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)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
16,500	16,500		0	
0	0		0	
0	0		0	
0	0		0	
0	0		0	
0	0		0	
0	0		0	
-69,210	-69,210		21,066	
21,066				
0				
0	0		0	
0				
0	0		0	
-31,644	-52,710	0	21,066	
0				
0				
0				
0				
0				
0				
0				
0				
0				
-31,644	-52,710	0	21,066	
-31,644	-52,710	0	21,066	
-47,069	-52,710	0	5,641	
112,830				
28,207				
-28,05%				
-166,87%				
C0060				
-52,710				
0				
16,500				
0				
-69,210				
0				

# S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	27,945		
R0020 Counterparty default risk	61,108		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	608		
R0050 Non-life underwriting risk	22,007		
R0060 Diversification	-24,875		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	86,792		
<b>Calculation of Solvency Capital Requirement</b>	C0100		
R0130 Operational risk	26,038		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	112,830		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	112,830		
<b>Other information on SCR</b>			
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

R0010 MCR<sub>NL</sub> Result

C0010

9,073

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

0	
0	
310	
199	
0	
1,416	
0	
39,445	
0	
0	
0	
133	
936	
24,278	
511	
26	

## Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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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

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR
R0400	Minimum Capital Requirement

C0070

9,073
112,830
50,773
28,207
28,207
3,251
28,207