

Equitas Holdings Limited

Solvency & Financial Condition Report

As at 31 March 2022

Corporate references

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SUMMARY

Introduction and summary

This document is the Solvency & Financial Condition Report (SFCR) for Equitas Holdings Limited; it is based on the financial position as at 31 March 2022. 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” or “Company”). 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 1 July 2022.

Key Capital Performance Indicators

	Solo		Group	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
Tier 1 funds				
Called Up share capital	16,500	16,500	-	-
Reconciliation reserve	(108,605)	(80,564)	(61,266)	(34,108)
Total	(92,105)	(64,024)	(61,266)	(34,108)
Tier 2 funds				
Subordinated Loan	24,718	23,750	-	-
Total available and eligible own funds to meet SCR	(67,387)	(40,274)	(61,266)	(34,108)
Standard Formula Solvency Capital Requirement (SCR)	131,052	116,608	126,592	112,641
SCR Deficit	(198,439)	(156,882)	(187,858)	(146,749)
Minimum Capital Requirement (MCR)	32,763	29,152	32,763	29,152
MCR Deficit	(100,150)	(69,426)	(94,029)	(63,260)
Solvency ratio	(51)%	(35)%	(48)%	(30)%

Review of the business

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

The Company was transformed when it entered into an agreement in November 2006 under which National Indemnity Company (NICO), a member of the Berkshire Hathaway group, 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. 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 decreased by circa £27m between 31 March 2021 and 31 March 2022, and they remain negative. This decrease is driven by a circa £24m increase in the Solvency II valuation of liabilities and an unrealised loss on investments of £3m with investment income meeting corporate expenses in the year.

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:

	2022	2021
	\$m	\$m
Additional reinsurance cover available at 1 April 2021/2020	4,034	4,367
Movement in provisions	(300)	(326)
Exchange differences	(3)	(7)
Additional reinsurance cover available at		
31 March 2022/2021	3,731	4,034

As at 31 March 2022, \$3,269 million (or 46.7%) (2021: \$2,966 million (or 42.4%)) 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, although it significantly strengthens the Groups financial position.

How the run-off is managed

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

Protection against reinsurer credit risk

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

estimated future operating expenses. If National Indemnity's rating falls below A- then the 102 per cent requirement increases to 125 per cent (provided that this does not exceed the remaining reinsurance cover).

At the date of this report the Standard & Poor's rating for National Indemnity remains very strong at AA+. The Berkshire Hathaway group (of which National Indemnity is a part) had a rating of AA. At 31 December 2021, National Indemnity had \$239bn surplus as regards policyholders and total assets of \$386bn.

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 the standard formula solvency capital requirement over the current planning horizon; there are no current indicators that suggest that this is likely to change until the liabilities are considerably smaller. However there is reasonable expectation that EIL will meet management's own economic capital requirement ("OECR") over the longer term.

EIL was formed under the less onerous capital requirements of Solvency I and the Group has no means of raising additional capital. EIL is subject to the requirements of the Solvency II directive and Equitas Holdings Limited is required to report under Solvency II as the group holding company. Equitas Limited and Equitas Reinsurance Limited whilst not subject to Solvency II do have to report solvency criteria in line with the Solvency I requirements and, for similar reasons do not meet the capital requirements. At the time the Part VII was approved by the High Court our confidence level that the National Indemnity (NICO) reinsurance would be sufficient to cover loss to ultimate was assessed at 96.9%. Our current assessment is 93.3%.

Investment performance

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

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

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

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

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

The net investment return for the year was a loss for the Group of £1,992k (2021 gain of £2,791k), a loss for EIL of £963k (2021 gain of £1,279k). The losses in the year were a result of unrealised losses due to increasing bond yields, with actual Income only reducing by 11% from £1,502k to £1,331k for the Group and by 12% from £700k to £618k. The components of the investment return are shown below:

	Solo			Group		
	2022	2021	Change	2022	2021	Change
Income	618	700	(82)	1,331	1,502	(171)
Realised gains/(losses)	2	(28)	30	51	(60)	111
Unrealised (losses)/gains	(1,583)	607	(2,190)	(3,374)	1,349	(4,723)
Total	(963)	1,279	(2,242)	(1,992)	2,791	4,783

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

For the year ended 31 March 2022, the Group reported a loss after taxation of £3,131k (2021: £1,625k profit), driven by an unrealised investment loss of £3.4 million.

Governance

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

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

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

Risk profile

The main solvency capital requirement (SCR) modules (excluding diversification) for 2022 and 2021 are shown below:

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

	2022		2021	
	EIL	EHL	EIL	EHL
	Solo	Group	Solo	Group
	£000s	£000s	£000s	£000s
Insurance Risk	31,202	31,202	22,785	22,785
Market Risk	37,249	31,368	29,283	23,664
Counterparty default Risk	63,910	63,929	63,244	63,250
Operational Risk	30,243	29,213	26,909	25,994

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

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

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

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

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

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

Principal risks and uncertainties

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

The principal risk now facing the Group is that liabilities come to exceed the reinsurance cover purchased. There is also the risk that the financial security of National Indemnity deteriorates, though there are provisions in the contract to mitigate such changes which are outlined on page 6. The Board believes that the prospect of the Group failing is very low,

although some risk of failure inevitably remains given the inherent uncertainties which exist when dealing with the types of liabilities that were originally reinsured by the Group.

A. BUSINESS AND PERFORMANCE

A1 Business

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

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

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

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

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

Name and legal form of the undertakings

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

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

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

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

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

The National Indemnity transaction

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

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 the Group very low. Equitas Insurance Limited is subject to the requirements of the Solvency II directive and Equitas Holdings Limited is required to report under Solvency II as the group holding company. Equitas Limited and Equitas Reinsurance Limited whilst not subject to Solvency II do have to report solvency criteria in line with the Solvency I requirements and, for similar reasons do not meet the capital requirements.

The Group 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/pru or at 20 Moorgate, London, EC2R 6DA.

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

Auditor

As reported in the report and accounts, the Group's external auditor is Deloitte LLP, 2 New Street Square, London EC3A 3TR.

A2 Underwriting performance in 2022

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 2022, the Group reported a loss after taxation of £3,131k (2021: £1,625k profit), driven by unrealised investment loss.

As at 31 March 2022, the Group had shareholders' funds amounting to £80,956k (2021: £84,087k) 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 2021	4,215,444	(4,215,444)	-
Payments, receipts and accruals	(175,975)	175,975	-
Reassessment of liabilities and reinsurances	250,715	(250,715)	-
Exchange movements	168,512	(168,512)	-
Provisions at 31 March 2022	4,458,696	(4,458,696)	-

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

The above Gross £250,715k (2021: £238,812k) of Incurred losses have arisen from an actuarial review of the insurance reserves which resulted in an increase in the Pollution, US Asbestos and Balance of Account liabilities, partially offset by reductions in Non US Asbestos. In addition, reserves were increased owing to the strengthening of US Dollar against GB Pounds during the year.

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

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

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

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

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

A3 Investment performance in 2022

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

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

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

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

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

The estimated fair value of these investments held by the Group as at 31 March 2022 was £78,503k (2021 £82,271k) (EIL £37,464k; 2021 £38,759k). For the year ended 31 March 2022, the Group reported an investment return loss of £1,992k (2021 £2,791k gain), with associated investment management fees of £66k (2021 £67k) (EIL: £963k loss, with associated investment management fees £31k fees; 2021 £1,279k income less £31k fees).

The Board of Directors is satisfied with the 2022 performance of the Group.

	Solo	Group
	£'000	£'000
Income from Investments	618	1,331
Unrealised loss	(1,583)	(3,374)
Realised gain	2	51
Total Investment return	<u>(963)</u>	<u>(1,992)</u>

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 2022 were £1,139k (2021 £1,166k) for the Group, £1,979k (2021 £1,966k) for EIL including subordinated loan interest £968k (2020 £930k).

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 Group and Company during the period.

COVID-19

The World Health Organisation declared a pandemic in relation to the Novel Coronavirus (COVID-19) in 2020. In response to the pandemic, RMSL announced that employees were to work from home for the foreseeable future. Following the changes in government guidelines RMSL's employees have moved to hybrid model of working which splits their time between working remotely and the office. The operational focus is on keeping people healthy, business continuity management and operational resilience.

Operational resilience

Even when 100% of the working was occurring remotely, individuals were in continued contact with each other through the use of technology. We demonstrated we had systems and processes in place to ensure that we continue to deliver a high level service and responsiveness.

Stress and sensitivity testing analysis

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

Geopolitical risk

The Company is not exposed to insurance losses following the Russian invasion of Ukraine on the 24th February 2022. The company is also monitoring the rapidly changing sanctions regimes of the US, the EU and the UK to ensure our processes and controls ensure compliance. With respect to the enhanced risk of cyber-attacks on the Company's IT infrastructure the Company continues to take advice via RMSL from an external cyber risk monitoring supplier to ensure we have effective threat monitoring and practices and processes to manage this risk.

There is no other material information relating to business and performance

B. SYSTEM OF GOVERNANCE

B1 General information on the system of governance

Ownership

Equitas Holdings Limited is owned by the Equitas Trust. The current trustees are Michael Deeny (chairman), David Shipley, Richard Spooner, Kees van der Klugt and Sir Adam Ridley.

The Corporation of Lloyd's owns the one deferred share in the capital of EHL, which carries the right to nominate 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 2022 were:

David Shipley	-	Chairman and Trustees' Nominated Director
Jeremy Heap	-	Chief Executive Officer
Jane Barker	-	Non-Executive Director (Resigned with effect 30 June 2022)
Glenn Brace	-	Non-Executive Director
Michael Deeny	-	Trustees' Nominated Director
Peter Spires	-	Lloyd's Nominated Director
Sir Adam Ridley	-	Trustees' Nominated Director (Resigned with effect 30 June 2022)
Richard Spooner	-	Trustees' Nominated Director
Kees van der Klugt	-	Trustees' Nominated Director (appointed with effect from 1 January 2022)

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 Board and is exercised by direct oversight by the chief executive officer (CEO). All functions have the necessary authority, resources, and operational independence to carry out their tasks and to report to and advise the management body. These functions and reporting procedures are applied consistently across the Group, and the CEO satisfies himself that the resources applied are appropriate.

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

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

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

Risk management, internal control systems and reporting procedures are applied consistently across the Group.

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

Key responsibilities of the Board include:

1. Determining the strategic direction of the Group and to define risk appetite.
2. Ensuring that the Group has a suitably resourced system of compliance and independent review and to monitor the adequacy of its operation.
3. Ensuring that the Group treats customers fairly and has adequate systems to address financial crime risks.
4. Ensuring that the Group is compliant with all relevant legislation. This includes PRA & FCA and applicable overseas insurance regulations and codes of practice.
5. Preparing an ORSA report (forward looking assessment of own risks in accordance with the own risk and solvency assessment principles)
6. Ensuring the system of governance remains appropriate.

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

B2 Fit and proper requirements

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

These procedures ensure that the CEO

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

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

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

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

B3 Risk management system including the own risk and solvency assessment

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

The key business strategy for the Group 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. The Group 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 Group continues close oversight of this outsource by the CEO working closely with the RMSL senior management.

The contract with National Indemnity is specific on the triggers at which the Group 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)

The Group has developed an "own risk and solvency assessment" (ORSA) process. It is an on-going process that produces an ORSA (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 CEO's close interaction with RMSL senior management.

The ORSA is a continuing process and the ORSA 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 internal audit.

Compliance Function

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

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

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

B5 Internal audit function

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

Reporting directly to the chair of the RMSL audit committee, the RMSL head of 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 Group. The Group employs only one member of staff. By virtue of the reinsurance contract between the 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. Members of Resolute attend parts of the Groups 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 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 the Group has chosen to outsource these activities, some of them to RMSL and others to third parties.

RMSL provide the following services to the Group:

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

The chief executive is responsible for the oversight of the services provided by RMSL.

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

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

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

B8 Any other information

There is no other material information relating to the system of governance for the 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, and reinsurer credit risk.

Analysis of risk profile (as per form S.25.01)

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

	2022		2021	
	EIL	EHL	EIL	EHL
	Solo	Group	Solo	Group
	£000s	£000s	£000s	£000s
Insurance risk	31,202	31,202	22,785	22,785
Market risk	37,249	31,368	29,283	23,664
Counterparty default risk	63,910	63,929	63,244	63,250
Diversification credit	(31,552)	(29,120)	(25,613)	(23,052)
Basic SCR	100,809	97,378	89,699	86,647
Operational risk	30,243	29,213	26,909	25,994
Final standard formula SCR	131,052	126,592	116,608	112,641
MCR	32,763	32,763	29,152	29,152

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 best estimate basis so 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 \$3,731 (2021 \$4,034) in excess of current gross liabilities \$6,088 (2021 \$6,036) The exchange rates use to calculate the cover are fixed at the rates prevailing on 31st March 2006 in accordance with the reinsurance contract. The adequacy of the Company's provisions is overseen by the Board.

C2 Market risk

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

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

	Solo		Group	
	2022	2021	2022	2021
	£m	£m	£m	£m
Debt securities and other fixed interest securities.	37.5	38.8	78.5	82.7
Cash at bank and in hand	0.6	0.2	2.1	0.7
	38.1	39.0	80.6	83.4
AAA	9.2	10.6	17.2	22.4
AA	11.3	8.5	25.0	17.3
A	10.4	13.9	22.2	30.5
BBB	6.6	5.8	14.1	12.5
Not rated	0.6	0.2	2.1	0.7
	38.1	39.0	80.6	83.4

Interest rate risk

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

The Group holds fixed interest securities in its investment portfolios managed by NEAM whose performance is closely monitored. There is some restriction imposed on the duration of the portfolios. An increase or decrease of 100 basis points in interest yields would have an impact of approximately Group £2.2 million, EIL £1.1 million on the value of the portfolio.

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

C3 Reinsurer credit risk

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

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

In the event of significant adverse claims experience, the Group is highly reliant on the ability of its reinsurer, National Indemnity Company (National Indemnity) to respond. Based on year end available figures, National Indemnity reported surplus assets of US\$239bn and total assets of US\$386bn and is rated AA+ by S&P rating agency.

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

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

C4 Liquidity risk

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

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

Furthermore, as the Group has no premium income, the expected profit on future premium is £nil.

C5 Operational risk

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

C6 Other material risks

There are no other material risks.

C7 Stress testing and sensitivity analysis

As the group is in run-off, management also considers the capital requirement to a confidence level of 97.5% to ultimate. This is considered managements' own economic capital requirement and this gives management an additional view of the risk profile. As shown below, managements' own economic capital requirement at 31st March 2022 is £919m, which greatly exceeds available own funds. Given the OECR is evaluated on a "to ultimate" basis, when comparing against available own funds we exclude the risk margin. This is because in the ultimate, once all insurance liabilities are extinguished, the risk margin will be nil.

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

Key results of stress testing

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

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

	2022		2021	
Sensitivity	Available own funds excluding risk margin £000s	OECR (ultimate basis) £000s	Available own funds excluding risk margin £000s	OECR (ultimate basis) £000s
Base, selected	-11,678	918,821	12,516	465,605
Higher loss variability	-62,801	1,535,596	-26,160	1,045,232
Lower loss variability	27,716	318,944	37,930	7,427
Higher correlation between classes	-28,654	1,140,397	1,006	669,396
Lower correlation between classes	6,188	667,357	23,281	252,405

Another well informed actuary with access to the same underlying information may well regard either our 'higher loss variability' scenario or our 'lower loss variability' scenario as their preferred best estimate. Our selected best estimate sits in the middle of what we would regard as a range of reasonable best estimates. This highlights the materiality of insurance risk and an unavoidable limitation in the analysis. For example, on our selected assumptions

there is a £930m deficit between the OECR of £919m and the available own funds (excluding risk margin) of -£12m. With 'higher loss variability' this widens significantly to a deficit of £1,598m between the OECR of £1,536m and the available own funds (excluding risk margin) of -£63m. But with 'lower loss variability' this improves significantly to deficit of £291m between the OECR of £319m and the available own funds (excluding risk margin) of £28m.

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

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

Material risk concentrations

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

There are no material risks concentrations within the insurance, market or operational risks.

Risk profile

There are no material changes to the risk profile.

D. VALUATION FOR SOLVENCY PURPOSES

The details of the Group's assets and liabilities as at 31 March 2022 are disclosed in the table below, along with the valuations adjustments between UK GAAP and the Solvency II equivalents.

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

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

Equitas Holdings Limited Group Solvency II Balance Sheet as at 31 March 2022, £000	Notes	UK GAAP	Reclass'n Adj's	Solvency II Value Adjustments		Solvency II
				Technical Provisions	Other	
Assets						
Total investments		78,502	576			79,078
Government bonds	1	30,654	63			30,717
Corporate bonds	1	47,848	513			48,361
Collateralised securities	1	0				0
Collective investment undertakings	1	0				0
Derivatives	3	0				0
Deposits other than cash equivalents	1	0				0
Reinsurance recoverables	2	4,458,696		(777,630)		3,681,066
Non-life excluding health		4,400,462		(767,221)		3,633,241
Health similar to non-life		58,234		(10,409)		47,825
Cash and cash equivalents	1	2,119				2,119
Other assets	1	701	(576)			125
Total assets		4,540,018		(777,630)		3,762,388
Liabilities						
Total non-life technical provisions		4,458,696		(635,408)		3,823,289
Technical provisions – non-life excluding health	4	4,400,462		(626,850)		3,773,612
Best estimate	4					3,729,545
Risk margin						44,067
Technical provisions - health (similar to non-life)		58,234		(8,558)		49,676
Best estimate	4					49,095
Risk margin	4					581
Derivatives	3	0				0
Other liabilities	5	366				366
Total liabilities		4,459,062		(635,408)		3,823,654
Excess of assets over liabilities		80,956		(142,222)		(61,266)

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

<u>Equitas Insurance Limited Solo</u> Solvency II Balance Sheet as at 31 March 2022, £000	Notes	UK GAAP	Reclass'n Adj's	Solvency II Value Adjustments		Solvency II
				Technical Provisions	Other	
Assets						
Total investments		84,986	260			85,246
Holdings in related undertakings		47,522				47,522
Government bonds	1	15,217	32			15,249
Corporate bonds	1	22,247	228			22,475
Collateralised securities	1	0				0
Collective investment undertakings	1	0				0
Derivatives	3	0				0
Deposits other than cash equivalents	1	0				0
Reinsurance recoverables	2	4,458,696		(777,630)		3,681,066
Non-life excluding health		4,400,462		(767,221)		3,633,241
Health similar to non-life		58,234		(10,409)		47,825
Cash and cash equivalents	1	650				650
Other assets	1	260	(260)			0
Total assets		4,544,592		(777,630)		3,766,962
Liabilities						
Total non-life technical provisions		4,458,696		(635,408)		3,823,288
Technical provisions – non-life excluding health	4	4,400,462		(626,850)		3,773,612
Best estimate	4					3,729,545
Risk margin						44,067
Technical provisions - health (similar to non-life)		58,234		(8,558)		49,676
Best estimate	4					49,095
Risk margin	4					581
Derivatives	3	0				0
Sub-ordinated loans	5	24,718				24,718
Other liabilities	5	11,061				11,061
Total liabilities		4,494,475		(635,408)		3,859,067
Excess of assets over liabilities		50,117		(142,222)		(92,105)

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

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

D2 Technical provisions

Note 3 For Solvency II valuation purposes:

With reference to the Solvency II balance sheets for the Group and Solo on pages **29 to 32** the required Solvency II adjustments are as follows:

	2022	2021
	£000	£000
Discounted claims' best estimate	61,893	36,436
Expense	29,655	28,599
Bad debt	6,026	6,536
Risk margin	<u>44,648</u>	<u>46,624</u>
Total	<u>142,222</u>	<u>118,195</u>

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

Discounted claims' best estimate – on a GAAP basis it is assumed that under all reasonably foreseeable events claims will not be significant enough to exhaust the NICO reinsurance, hence GAAP net provisions are set to zero GBP on the basis of a point estimate. Solvency II (SII) requires technical provisions to reflect a best estimate of all possible outcomes. We use a stochastic model to simulate losses against the NICO reinsurance. In a minority of simulations the NICO reinsurance exhausts, leading to an undiscounted net best estimate of £93,104k (2021 £54,675k). Risk free curves as specified by the PRA (no volatility adjustment) are applied within each simulation of the stochastic model to arrive at the discounted provisions. The discounted net best estimate SII provisions are £61,893k (2021 £36,436k).

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

Expenses - The SII technical provisions include an allowance for expenses; both corporate expenses (non ULAE) incurred by the Group and run off expenses (ULAE) that would be incurred by the Group in the event that the NICO reinsurance exhausts. The total expense figures added to the SII technical provision for Group was £38,585k (2021 £34,786k) undiscounted and £29,655k (2021 £28,599k) discounted.

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

Bad debt - the bad debt provision is an adjustment to take into account the potential losses owing to the default of the reinsurance counterparties. Although there is a contractual commitment by National Indemnity to collateralise their obligations should their rating published by Standard & Poors fall below AA-, the regulations do not allow us to take any credit for this in our SCR calculations. In addition, there are long-standing regulatory trust funds maintained in USA, Canada & Australia containing assets in excess of £2.5 billion (2021 £2.1 billion) which are available to pay the underlying claims in the event of default by National Indemnity. However, the SII regulations do not allow Equitas to take these into account in their SCR calculations. Perversely, the technical provisions for bad debt will likely improve if National Indemnity's credit rating falls, due to the collateral being additionally then provided.

Owing to the very low probability of the reinsurance not responding, for Solvency II valuation purposes the bad debt is £7,972k (2021 8,325k) undiscounted and £6,026k (2021 £6,536k) discounted.

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

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

The resulting risk margin was £44,648k for both Group & Solo (2021 Group & Solo £46,624k).

Changes in valuation basis / assumptions

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

Uncertainty associated with the value of technical provisions

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

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

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

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

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

D3 Other liabilities

Note 5 For Solvency II valuation purposes:-

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

For Group – these are removed upon consolidation for both the UK GAAP and Solvency II reporting purposes;

For EIL – these are valued at net realisable valuation for both the UK GAAP and Solvency II reporting purposes, based on the cost of the loan plus the associated compound interest charged.

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

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

D4 Alternative valuation methods

The Group do not use any alternative valuation methods

Changes in valuation basis / assumptions

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

D5 Any other information

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

E. CAPITAL MANAGEMENT

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

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

E1 Own funds

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

Own funds for Equitas Insurance Limited include a subordinated loan of £24,718k (2021 £23,750k) subordinated loan from Equitas Holdings Limited, classified as tier 2 capital. Interest of £968k (2021 £930k) 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 2022 are disclosed in the table below along with the differences between the Solvency II valuations and the UK GAAP equivalents. The Solvency II net assets along with the UK GAAP equivalent are also presented.

Given that there is no means of raising additional capital there is little that can be done in terms of managing own funds from a business planning perspective. On the Solvency II valuation the liabilities currently exceed the assets, giving negative own funds to meet the SCR. Our own risk and solvency assessment (ORSA) includes a forward looking assessment of our technical provisions and capital requirements in future years. On the assumption that claims provisions do not deteriorate from our current best estimate, this forward looking assessment shows that as liabilities develop and claims are paid, the likelihood of the NICO reinsurance exhausting should reduce over time, leading us to expect a decrease in Solvency II technical provisions. We expect that EIL will continue to fail to meet the SCR over the current planning horizon.

Available own funds to meet the SCR have decreased by circa £27m between 31 March 2021 and 31 March 2022, and they remain negative. This decrease is driven by a circa £24m increase in the Solvency II valuation of liabilities and an unrealised loss on investments £3m with investment income meeting corporate expenses in the year. The £24m increase in the Solvency II valuation of liabilities is largely attributable to the increase in gross provision and an increase in the assumed level of uncertainty around those gross provision.

Solvency II own funds and net assets with UK GAAP equivalents

Equitas Holdings Limited Group	2022		2021	
	Solvency II value £000	GAAP value £000	Solvency II value £000	GAAP value £000
Tier 1 funds				
Called up share capital	-	-	-	-
Retained earnings	-	80,956	-	84,087
Reconciliation reserve	(61,266)	-	(34,108)	-
Net assets (excess assets over liabilities)	(61,266)	80,956	(34,108)	84,087
Reconciliation difference	-	-	-	-
Total available and eligible own funds to meet Group SCR	(61,266)	80,956	(34,108)	84,087
Total available and eligible own funds to meet minimum consolidated group SCR	(61,266)	80,956	(34,108)	84,087

Equitas Insurance Limited	2022		2021	
	Solvency II value £000	GAAP value £000	Solvency II value £000	GAAP value £000
Tier 1 funds				
Called up share capital	16,500	16,500	16,500	16,500
Retained earnings	-	33,617	-	37,671
Reconciliation reserve	(108,605)	-	(80,524)	-
Net assets (excess assets over liabilities)	(92,105)	50,117	(64,024)	54,171
Tier 2 funds				
Subordinated loan	24,718	24,718	23,750	23,750
Reconciliation difference	-	-	-	-
Total available and eligible own funds to meet Company SCR	(67,387)	74,835	(40,274)	77,921
Total available and eligible own funds to meet Company MCR	(67,387)	74,835	(40,274)	77,921

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 £142,222k at 31 March 2022 (2021: £118,195k for Solo and for the Group). The table in section E2 (below) provides more detail on the underlying valuation changes.

The Group does not have any ancillary own funds.

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

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

E2 Solvency capital requirement and minimum capital requirement

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

Both EHL (Group) and EIL (Solo) use the standard formula as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them as appropriate. There is no internal modelling undertaken for either Group or Solo.

The Group's solvency capital requirement (SCR) at 31 March 2022 was £126,592k (2021 £112,641k) and minimum consolidated group SCR at 31 March 2022 was £32,763k (2021 £29,152k).

EIL's solvency capital requirement at 31 March 2022 was £131,052k (2021 £116,608k) and the minimum capital requirement at 31 March 2022 was £32,763k (2021 £29,152k).

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

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

	EIL Solo		EHL Group	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
<u>Technical provisions' adjustments</u>				
Net best estimate	97,574	71,571	97,574	71,571
Risk margin	44,648	46,624	44,648	46,624
Total TPs	142,222	118,195	142,222	118,195
<u>Standard formula SCR</u>				
Reserve risk	31,202	22,785	31,202	22,785
<i>Interest rate risk</i>	<i>11,596</i>	<i>7,869</i>	<i>10,251</i>	<i>7,754</i>
<i>Equity risk</i>	<i>10,461</i>	<i>10,699</i>	<i>0</i>	<i>0</i>
<i>Spread risk</i>	<i>1,060</i>	<i>1,045</i>	<i>2,165</i>	<i>2,255</i>
<i>Currency risk</i>	<i>26,246</i>	<i>19,485</i>	<i>26,247</i>	<i>19,486</i>
<i>Concentration risk</i>	<i>160</i>	<i>113</i>	<i>330</i>	<i>221</i>
<i>Diversification</i>	<i>(12,274)</i>	<i>(9,930)</i>	<i>(7,626)</i>	<i>(6,053)</i>
Market risk	37,249	29,283	31,368	23,664
Counterparty default risk	63,910	63,244	63,929	63,250
Diversification credit	(31,552)	(25,613)	(29,120)	(23,053)
Basic SCR	100,809	89,699	97,378	86,647
Operational risk	30,243	26,910	29,213	25,994
Final standard formula SCR	131,052	116,608	126,592	112,641
MCR	32,763	29,152	-	-
Minimum consolidated group SCR	-	-	32,763	29,152

Calculation of minimum capital requirement, as at 31 March

		EIL solo		EHL Group	
		2022	2021	2022	2021
		£000s	£000s	£000s	£000s
Linear MCR		12,727	9,320	12,727	9,320
SCR		131,052	116,608	126,592	112,641
MCR cap	45% of SCR	58,973	52,474	56,966	50,688
MCR floor	25% of SCR	32,763	29,152	31,648	28,160
Combined MCR		32,763	29,152	32,763	29,152
Absolute floor of MCR €3,700		3,126	3,126	3,338	3,338
Minimum capital requirement		32,763	29,152	-	-
Minimum consolidated					
group SCR		-	-	32,763	29,152

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 £80,956k (2021 £84,087k). The Solvency II additional technical provisions adjustment of £142,222k (2021 £118,195) as offset by the £80,956k (2021 £84,087k) UK GAAP retained earnings, results in a shortfall in own funds of £61,266k (2021 £34,108k), therefore the Group does not meet either the solvency capital requirement or the minimum capital requirement referred to in E2 above. The Group has reasonable expectation that the MCR shortfall may not be rectified within 5 years.

Similarly, Equitas Insurance Limited had surplus funds of £50,117k (2021 £54,171k) under UK GAAP, increasing to £74,835k (2021 £77,921k) with the inclusion of the subordinated loan due to Equitas Holdings Limited. The Solvency II additional technical provisions adjustment of £142,222k (2021 £118,195k) to UK GAAP retained earnings, results in a shortfall in own funds of £67,387k (2021 £40,274k), therefore the Company does not meet the solvency capital requirement or the minimum capital requirement. The Company has reasonable expectation that the MCR shortfall may not be rectified within 5 years.

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

Equitas Holdings Limited

The solvency and financial condition report (SFCR) for the financial period ended 31 March 2022 was approved by the Board of Directors on 24 June 2022.

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

we are satisfied that, with the exception of meeting the solvency capital requirement and the minimum capital requirement:

- (a) throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as applicable at the level of the Group; and
- (b) it is reasonable to believe that the Group has continued so to comply subsequently and will continue so to comply in future.



Jeremy Heap
Chief Executive Officer
7 July 2022

INDEPENDENT AUDITORS' REPORT

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

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 March 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group SFCR of the Company as at 31 March 2022, ('the Narrative Disclosures subject to audit');
- Group templates S.02.01.02, S.23.01.22, S.25.01.22, S.32.01.22 ('the Group Templates subject to audit');
- Solo 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 Solo Templates subject to audit').

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

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

- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S.05.01.02, S.05.02.01;
- Solo templates S.05.01.02 and S.05.02.01;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('the Responsibility Statement');
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations ('the sectoral information').

To the extent the information subject to audit in the relevant elements of the Group SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group SFCR of the Company as at 31 March 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group 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 Group SFCR in the UK, including the Financial Reporting Council's (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.

Emphasis of Matter – Basis of Accounting

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the SFCR is appropriate.

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

- Obtaining a copy of management's going concern assessment to assess the identification and assessment of the risks relevant to going concern.
- Assessing projected cash flows for the Group to consider management's assessment on available liquidity.
- Assessing the available headroom on the Group's reinsurance contract with National Insurance Company ("NICO").
- Evaluating the current financial strength and credit rating of NICO.
- Reading correspondence with the PRA to consider whether any matters have been raised by the PRA with regard to the capital position of the Group.
- The Group does not meet either Solvency Capital Requirement or Minimum Capital Requirement of Solvency II. We have assessed whether this impacts the going concern of the Group by considering the level of unutilized reinsurance cover with NICO.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Other Information

The Directors are responsible for the Other Information.

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

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 Group SFCR, or our knowledge obtained in the course of 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 Group SFCR themselves. 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 Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

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

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

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, in-house legal counsel and audit committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK and relevant ; and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law, Prudential Regulation Authority (PRA) and Financial Conduct Authority ("FCA") regulations and tax legislation.

We discussed among the audit engagement team including relevant internal specialists such as actuarial specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the valuation of technical provisions for outstanding claims, and our specific procedures performed to address it are described below:

- Obtaining an understanding of and testing the relevant controls related to claim and reserves business processes;
- Assessing the appropriateness of management's process and methodologies and the reasonableness of assumptions to estimate the claims outstanding;
- Testing of data integrity utilised in the estimation process;
- Performing detailed testing on a selection of assured estimates for direct US asbestos and US pollution classes of business, which consisted of:
 - Holding walk-through meetings and discussions with relevant personnel for each assured to understand management's approach, methodology, and assumptions;
 - Reviewing management's models and claim file documents that support the data and assumptions;
 - Inspecting the application of the methodology within the models to assess whether they are operating as intended;
 - Performing sensitivity tests of management's estimates, where necessary; and
 - Using our internal models to determine independent estimates for certain US direct asbestos assureds.
- Inspecting management's annual reserve report and making enquiries of relevant personnel in respect of movements of interest; and
- Assessing management's analysis of overall actual versus estimates claims experience in reserves in the light of current year incurred development.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the PRA and FCA, reviewing internal audit reports and reviewing correspondence with HMRC.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter 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 Equitas Holdings Limited's and Equitas Insurance Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.

Use of our Report

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



Andrew Downes
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
7 July 2022

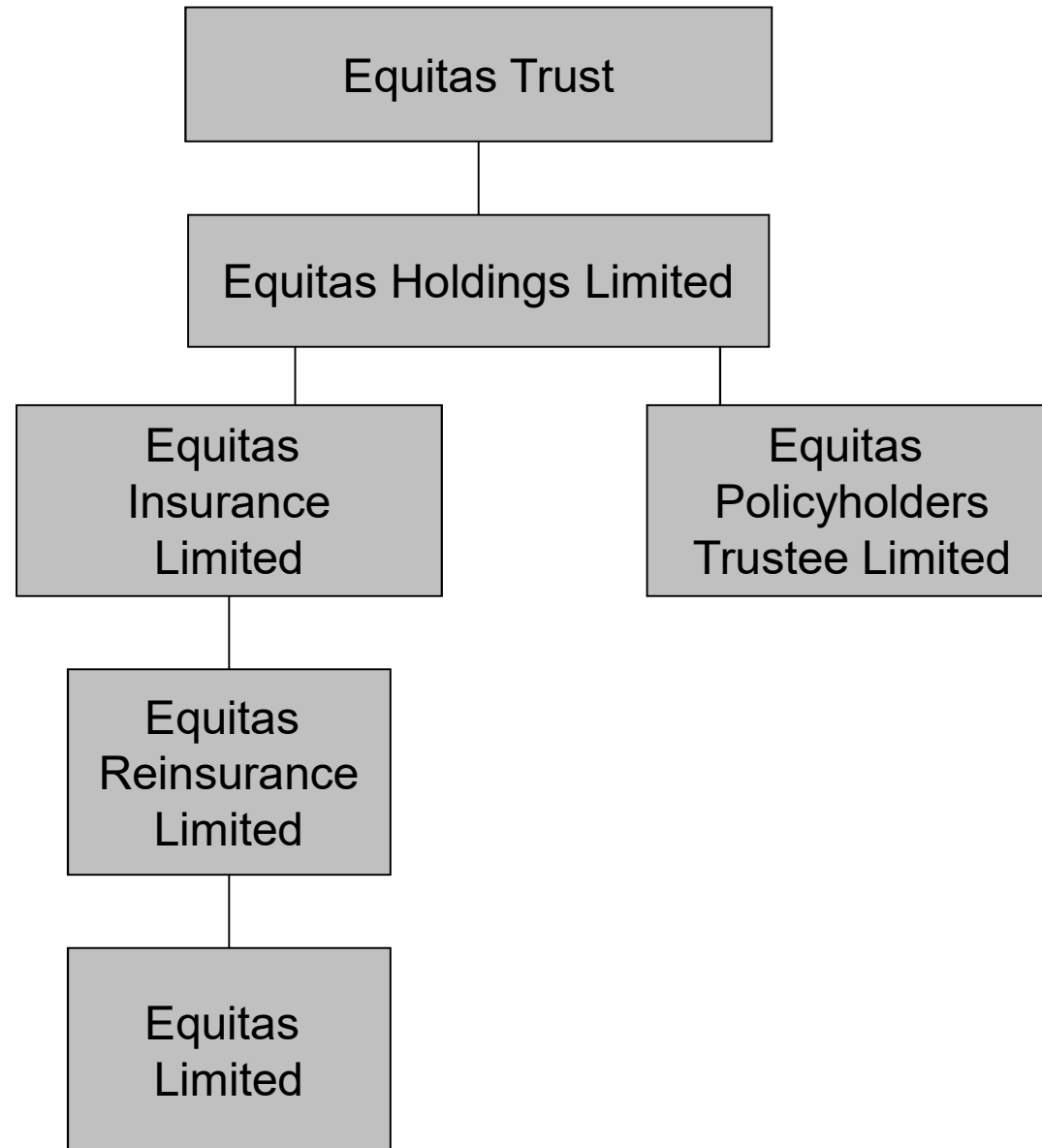
LIST OF APPENDICES

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

EQUITAS

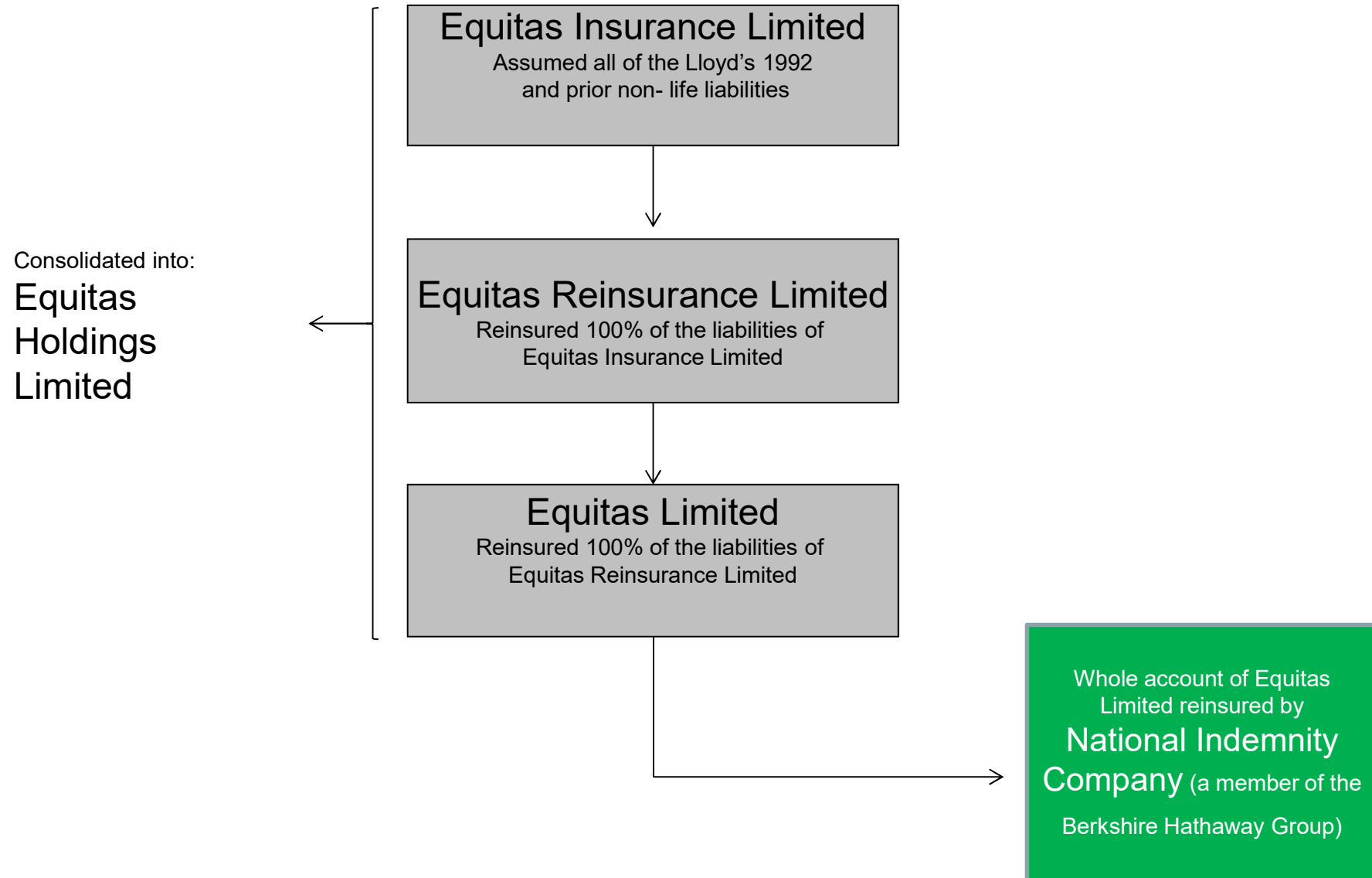
Structure Chart

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



Appendix 2

Equitas Group Reinsurance Flow Chart



Equitas Holdings Limited

Solvency and Financial Condition Report

Disclosures

31 March

2022

(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 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
Assets		C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	79,078
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>	79,078
R0140	<i>Government Bonds</i>	30,717
R0150	<i>Corporate Bonds</i>	48,361
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
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:	3,681,066
R0280	<i>Non-life and health similar to non-life</i>	3,681,066
R0290	<i>Non-life excluding health</i>	3,633,241
R0300	<i>Health similar to non-life</i>	47,825
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)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,119
R0420	Any other assets, not elsewhere shown	125
R0500	Total assets	3,762,389

S.02.01.02

Balance sheet

		Solvency II value
Liabilities		C0010
R0510	Technical provisions - non-life	3,823,289
R0520	<i>Technical provisions - non-life (excluding health)</i>	3,773,612
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	3,729,545
R0550	<i>Risk margin</i>	44,067
R0560	<i>Technical provisions - health (similar to non-life)</i>	49,677
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	49,095
R0590	<i>Risk margin</i>	581
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	
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	366
R0900	Total liabilities	3,823,655
R1000	Excess of assets over liabilities	-61,266

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
Premiums written							
R0110 Gross - Direct Business							0
R0120 Gross - Proportional reinsurance accepted							0
R0130 Gross - Non-proportional reinsurance accepted							0
R0140 Reinsurers' share							0
R0200 Net	0						0
Premiums earned							
R0210 Gross - Direct Business							0
R0220 Gross - Proportional reinsurance accepted							0
R0230 Gross - Non-proportional reinsurance accepted							0
R0240 Reinsurers' share							0
R0300 Net	0						0
Claims incurred							
R0310 Gross - Direct Business	132,655						132,655
R0320 Gross - Proportional reinsurance accepted	11,561						11,561
R0330 Gross - Non-proportional reinsurance accepted	106,499						106,499
R0340 Reinsurers' share	250,715						250,715
R0400 Net	0						0
Changes in other technical provisions							
R0410 Gross - Direct Business							0
R0420 Gross - Proportional reinsurance accepted							0
R0430 Gross - Non-proportional reinsurance accepted							0
R0440 Reinsurers' share							0
R0500 Net	0						0
R0550 Expenses incurred							0
R1200 Other expenses							
R1300 Total expenses							0

Own Funds

Ordinary share capital (gross of own shares)

Non-available called but not paid in ordinary share capital at group level

Share premium account related to ordinary share capital

Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings

Subordinated mutual member accounts

Non-available subordinated mutual member accounts at group level

Surplus funds

Non-available surplus funds at group level

Preference shares

Non-available preference shares at group level

Share premium account related to preference shares

Non-available share premium account related to preference shares at group level

Reconciliation reserve

Subordinated liabilities

Non-available subordinated liabilities at group level

An amount equal to the value of net deferred tax assets

The amount equal to the value of net deferred tax assets not available at the group level

Other items approved by supervisory authority as basic own funds not specified above

Non available own funds related to other own funds items approved by supervisory authority

Minority interests (if not reported as part of a specific own fund item)

Non-available minority interests at group level

R0230 Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities
R0240 *whereof deducted according to art 228 of the Directive 2009/138/EC*

R0270 Total of non-available own fund items

R0280 Total deductions

Ancillary own funds

Own funds of other financial sectors

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

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0				
0	0		0	
0	0		0	
0		0	0	0
0				
0	0			
0	0			
0		0	0	0
0				
0		0	0	0
0				
-61,266	-61,266			
0		0	0	0
0				
0				0
0				0
0	0	0	0	0
0				
0				
0				
0				
0				
0				
0				
0				
0	0	0	0	0
0	0	0	0	0
-61,266	-61,266	0	0	0
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
0				
0				
0				
0	0	0	0	

S.23.01.22
Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the D&A, exclusively or in combination of method 1

R0450	Own funds aggregated when using the D&A and combination of method
R0460	Own funds aggregated when using the D&A 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 D&A)
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 D&A)
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 D&A)
R0680	Group SCR
R0690	Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

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				
-61,266	-61,266	0	0	0
-61,266	-61,266	0	0	
-61,266	-61,266	0	0	0
-61,266	-61,266	0	0	
32,763				
-187.00%				
-61,266	-61,266	0	0	0
126,592				
-48.40%				
C0060				
-61,266				
0				
-61,266				
0				

S.32.01.22

Undertakings in the scope of the group

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

Undertakings in the scope of the group

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

Equitas Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 March

2022

(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 2022
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	
	0
	85,246
	0
	47,522
	0
	37,724
	15,248
	22,475
	0
	0
	0
	0
	0
	3,681,066
	3,681,066
	3,633,241
	47,825
	0
	0
	0
	650
	3,766,963

Assets

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	3,823,289
R0520	<i>Technical provisions - non-life (excluding health)</i>	3,773,612
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	3,729,545
R0550	<i>Risk margin</i>	44,067
R0560	<i>Technical provisions - health (similar to non-life)</i>	49,677
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	49,095
R0590	<i>Risk margin</i>	581
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	
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	24,718
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	24,718
R0880	Any other liabilities, not elsewhere shown	11,061
R0900	Total liabilities	3,859,068
R1000	Excess of assets over liabilities	-92,105

Premiums, claims and expenses by line of business

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																
Gross - Direct Business																0
Gross - Proportional reinsurance accepted																0
Gross - Non-proportional reinsurance accepted																0
Reinsurers' share																0
Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premiums earned																
Gross - Direct Business																0
Gross - Proportional reinsurance accepted																0
Gross - Non-proportional reinsurance accepted																0
Reinsurers' share																0
Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims incurred																
Gross - Direct Business	0	0	-487	-1,501	0	4,445	0	130,730	0	0	0	-532				132,655
Gross - Proportional reinsurance accepted	0	0	-352	183	0	334	0	11,385	0	0	0	10				11,561
Gross - Non-proportional reinsurance accepted													-1,992	110,840	-2,407	106,499
Reinsurers' share	0	0	-838	-1,318	0	4,779	0	142,115	0	0	0	-522	-1,992	110,840	-2,407	250,715
Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in other technical provisions																
Gross - Direct Business																0
Gross - Proportional reinsurance accepted																0
Gross - Non-proportional reinsurance accepted																0
Reinsurers' share																0
Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred																
	0	0	7	5	0	47	0	1,265	0	0	0	4	18	624	9	1,979
Other expenses																
Total expenses																1,979

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010

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

Premiums written

R0110 Gross - Direct Business

R0120 Gross - Proportional reinsurance accepted

R0130 Gross - Non-proportional reinsurance accepted

R0140 Reinsurers' share

R0200 Net

						0
						0
						0
						0
0						0

Premiums earned

R0210 Gross - Direct Business

R0220 Gross - Proportional reinsurance accepted

R0230 Gross - Non-proportional reinsurance accepted

R0240 Reinsurers' share

R0300 Net

						0
						0
						0
						0
0						0

Claims incurred

R0310 Gross - Direct Business

R0320 Gross - Proportional reinsurance accepted

R0330 Gross - Non-proportional reinsurance accepted

R0340 Reinsurers' share

R0400 Net

132,655						132,655
11,561						11,561
106,499						106,499
250,715						250,715
0						0

Changes in other technical provisions

R0410 Gross - Direct Business

R0420 Gross - Proportional reinsurance accepted

R0430 Gross - Non-proportional reinsurance accepted

R0440 Reinsurers' share

R0500 Net

						0
						0
						0
						0
0						0

R0550 Expenses incurred

R1200 Other expenses

R1300 Total expenses

						0
						0

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 casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
																0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
																0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	13,839	8,791	0	89,615	0	2,414,801	0	0	0	7,777	35,256	1,191,482	16,726	354	3,778,641
0	0	13,482	8,553	0	87,284	0	2,352,434	0	0	0	7,575	34,343	1,160,771	16,277	346	3,681,066
0	0	357	237	0	2,331	0	62,367	0	0	0	202	913	30,710	448	8	97,574
0	0	13,839	8,791	0	89,615	0	2,414,801	0	0	0	7,777	35,256	1,191,482	16,726	354	3,778,641
0	0	357	237	0	2,331	0	62,367	0	0	0	202	913	30,710	448	8	97,574
0	0	164	109	0	1,067	0	28,538	0	0	0	92	418	14,053	205	4	44,648
																0
																0
																0
0	0	14,003	8,899	0	90,682	0	2,443,339	0	0	0	7,869	35,674	1,205,534	16,931	358	3,823,289
0	0	13,482	8,553	0	87,284	0	2,352,434	0	0	0	7,575	34,343	1,160,771	16,277	346	3,681,066
0	0	521	346	0	3,398	0	90,904	0	0	0	294	1,331	44,763	654	12	142,222

Non-Life insurance claims

Total Non-life business

Accident year / underwriting year

Underwriting Year

Gross Claims Paid (non-cumulative)													
(absolute amount)													
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year										In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											107,540	107,540	107,540
2013	0	0	0	0	0	0	0	0	0	0		0	0
2014	0	0	0	0	0	0	0	0	0			0	0
2015	0	0	0	0	0	0	0	0				0	0
2016	0	0	0	0	0	0	0					0	0
2017	0	0	0	0	0	0						0	0
2018	0	0	0	0	0							0	0
2019	0	0	0	0								0	0
2020	0	0	0									0	0
2021	0	0										0	0
2022	0											0	0
Total											107,540	107,540	107,540

Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Development year										Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											4,497,281	3,778,641
2013	0	0	0	0	0	0	0	0	0	0		0
2014	0	0	0	0	0	0	0	0	0			0
2015	0	0	0	0	0	0	0	0				0
2016	0	0	0	0	0	0	0					0
2017	0	0	0	0	0	0						0
2018	0	0	0	0	0							0
2019	0	0	0	0								0
2020	0	0	0									0
2021	0	0										0
2022	0											0
											Total	3,778,641

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
R0230	Deductions for participations in financial and credit institutions
R0290	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	0	0
-108,605	-108,605			
24,718		0	24,718	0
0				0
0	0	0	0	0
0				
0	0	0	0	
-67,387	-92,105	0	24,718	0

0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

-67,387	-92,105	0	24,718	0
-67,387	-92,105	0	24,718	
-67,387	-92,105	0	24,718	0
-85,553	-92,105	0	6,553	
131,052				
32,763				
-51.42%				
-261.13%				

C0060
-92,105
0
16,500
-108,605

0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

R0010 Market risk
 R0020 Counterparty default risk
 R0030 Life underwriting risk
 R0040 Health underwriting risk
 R0050 Non-life underwriting risk
 R0060 Diversification

R0070 Intangible asset risk

R0100 Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

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

Other information on SCR

R0400 Capital requirement for duration-based equity risk sub-module
 R0410 Total amount of Notional Solvency Capital Requirements for remaining part
 R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
 R0440 Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

R0640 LAC DT
 R0650 LAC DT justified by reversion of deferred tax liabilities
 R0660 LAC DT justified by reference to probable future taxable economic profit
 R0670 LAC DT justified by carry back, current year
 R0680 LAC DT justified by carry back, future years
 R0690 Maximum LAC DT

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
37,249		
63,910		
0		
520		
30,682		
-31,552		
0		
100,809		
C0100		
30,243		
0		
0		
131,052		
0		
131,052		
0		
0		
0		
0		
0		
C0109		
0		
LAC DT		
C0130		
0		
0		
0		
0		
0		

USP Key

For life underwriting risk:

1 - Increase in the amount of annuity benefits
 9 - None

For health underwriting risk:

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

For non-life underwriting risk:

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

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

12,727

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

C0020

C0030

R0020	Medical expense insurance and proportional reinsurance
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	
357	
237	
0	
2,331	
0	
62,367	
0	
0	
0	
202	
913	
30,710	
448	
8	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

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

C0050

C0060

R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

C0070

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

12,727
131,052
58,973
32,763
32,763
3,126
32,763