



EXTRACOVER INSURANCE COMPANY LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

As at 31 December 2022

28 March 2023

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Summary

Introduction

Extracover Insurance Company Limited ('EICL') was established in 2019 as an insurance company licensed in Gibraltar. This is EICL's third Solvency and Financial Condition Report. The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act ("the Solvency II Act in Gibraltar") including the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

The Company is part of the Extracover Group and underwrites motor insurance in the UK specialising at those people who earn money from the use of their vehicles, in particular issuing short term policies that allow the policyholder to buy cover on demand. Its product offering is in three main verticals under this premise: Delivery, Ride-Hailing (Taxi), and Motor Fleet. All verticals offer flexible Business Use / Hire & Reward ("H&R") products e.g. hourly / monthly or price by mile as a key USP, with the option to graduate up to fixed term/price covers. EICL also underwrites some ancillary benefits embedded as part of these standard motor insurance policies such as Personal Accident and Legal Expenses Cover. All products are designed to specifically meet the ends of the target market in the product line they are aimed at. The over-arching long-term strategy continues to be to build an insurance business that meets customer needs and delivers a shareholder profit.

Business and Performance

EICL commenced trading in October 2019 and the results, on a GAAP basis, are summarised below:

	Gross Written Premium (£m)	Net Earned Premium (£m)	Underwriting Profit/ (Loss) (£m)	Profit/(Loss) (£m)	Net Assets (£m)
31 December 2019 (audited)	1.0	0.1	-0.2	-0.16	6.3
31 December 2020 (audited)	10.5	1.5	-0.4	-0.37	7.0
31 December 2021 (audited)	22.3	3.4	-0.4	-0.39	11.6
31 December 2022 (unaudited)	25.2	4.0	-0.1	0.04	11.6
Totals	59.0	9.0	-1.1	-0.88	

However, it should be noted that the Board have, in light of the lack of historic statistical data, adopted a prudent approach to reserving and the insurance reserves as reported include a management loading over and above the Actuarial Best Estimate as provided by the external actuary.

During the period to 31 December 2022 EICL underwrote motor business in the UK market in the form of various on demand covers as well as annual products. The table below sets out the classes of business written along with the volumes and percentage: -



Class of Business	GWP (£m)	%'age of total
Scooter	11.3	45.1
Car	12.2	48.4
Fleet	1.6	6.3
Other	0.1	0.2
Total	25.2	100.0

EICL purchases both Excess of Loss and Quota Share reinsurance from reputable Reinsurance partners rated “A” and above, to protect the business against the impact of large losses and to assist with the effective management of capital. The Excess of Loss programme covers all losses in excess of £1.0m (£0.5m prior to 1 March 2022) after allowing for indexation., and the company has also purchased a proportional Quota Share reinsurance treaty such that the company retains 20% of each and every motor risk. It has been agreed that as from 1st March 2023, the EICL retention will increase to 30%.

Systems of Governance

EICL operates an outsourced business model and EICL’s expenses reflect charges from its outsourced service providers. Day-to-day operational management is outsourced to EICL’s insurance manager in Gibraltar, Artex Risk Solutions (Gibraltar) Limited (“Artex”). This encompasses in particular financial accounting, assistance with risk management, Solvency II reporting, company secretarial and compliance services. In addition, other key outsourced services comprise policy administration, sales and marketing, customer service, the provision of management information, and claims handling. These services are outsourced to other entities within the wider Extracover group with the exception of claims handling that is outsourced to Crawford & Company Adjusters (UK) Limited (“Crawfords”) and The Davies Group.

EICL has in place systems of governance which are proportionate to the size and complexity of the operation. Such systems and the underlying processes and procedures are subject to ongoing review to ensure any required improvements are made.

Over-arching responsibility for governance rests with EICL’s Board of Directors, which comprises one Executive Director and two independent Non-Executive Directors and a Non-Executive Director. EICL operates a Claims and Underwriting Committee and a Risk and Reserving Committee, which advises and reports to the board on these matters.

EICL aims to comply with all requirements with regard to key functions and fitness and propriety, with full details provided in section B. There were no material changes to EICL’s systems of governance during the period. In June 2022, a proposal was submitted to the GFSC aimed at meeting the regulator’s requirements on regulated individuals and substance a response from the GFSC is expected in March 2023.

Risk Profile

EICL has a strong risk management system, with close involvement of the entire Board. Risk is classified into insurance risk, regulatory and legal risk, capital management risk, market risk, liquidity risk, credit risk, concentration risk, operational risk and reputational and conduct risk.

Key risks identified by management comprise:

- Unintended claims being captured or risks outside appetite being written
- Softening of market and increased competition leading to lower profitability
- Adverse loss ratio not covering expected frequency in poor risk segments
- Failure to deal with potentially fraudulent claims, which increases claims costs
- Claims costs higher/lower than expected



- Poor customer and claims service leading to reputational and financial losses
- Negative impact of a change in regulatory framework
- Down-turn in Economic environment

Full detail on risk management is provided in Section C.

Valuation for Solvency Purposes

Section D of this report sets out in detail the inputs, bases and methods of recognition and valuation of assets and liabilities, including a comparison between Solvency II and GAAP valuation. The main valuation differences arise from reclassifications and from differences in the valuation of technical provisions. As at 31 December 2022, the SCR coverage stood at 280%.

A Business and Performance

A.1 Business Information

A.1.1 Company Details

Extracover Insurance Company Limited
P.O. Box 1338
First Floor
Grand Ocean Plaza
Ocean Village
Gibraltar

Extracover Insurance Company Limited ("EICL") is incorporated in Gibraltar and is a Company limited by shares. EICL's registered number is 118662.

This Solvency and Financial Condition Report covers EICL on a solo basis. While EICL is part of a Group, this is not considered to be an insurance group for Solvency II purposes by the Board but this is the subject of ongoing discussions with the GFSC.

A.1.2 Supervisory Authority

EICL is regulated by:

Gibraltar Financial Services Commission ("GFSC")
P.O. Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar

A.1.3 External Auditor

EICL's external auditors are:



PKF Canillas
PO Box 884
Suite 2.1.09, 1st Floor
Building 2, Eurotowers
Gibraltar

A.1.4 Ultimate Shareholders

EICL is a 100% subsidiary of Extracover Holdings Limited, a company incorporated in the United Kingdom.

Direct and indirect holders of qualifying holdings in EICL are:

Name	Legal Form	Direct / Indirect	Proportion of ownership interest
Extracover Holdings Limited	Company limited by shares	Direct	100%
Balderton Capital	N/A	Indirect	18.93%
Target	N/A	Indirect	14.15%
DST Global	N/A	Indirect	12.12%
Sten Saar	Individual	Indirect	11.09%
Various under 10%	N/A	Indirect	43.71%
Total			100.00%

A.1.5 Material Lines of Business and Geographical Areas

EICL's business is providing UK motor insurance which is aimed at people who use their vehicles to make money. The following table shows the business by class for the year ended 31 December 2022. Motor premiums are shown below both gross and net of reinsurance. All business has been conducted in the UK.

Year ended:

	31-Dec-22	31-Dec-21
	£'000	£'000
Motor Insurance:		
Gross Written Premiums	<u>25,181</u>	<u>22,280</u>
Net Written Premiums	<u>4,105</u>	<u>3,500</u>

A.1.6 Significant Business or Other Events

On 1st January 2021, the UK exited the EU. EICL only has policyholders who are domiciled in the United Kingdom, and as such management does not consider that Brexit and the loss of access to the EU markets will have a material impact on the business. Management however continues to closely monitor the situation in respect of the free movement of goods between the EU and the UK, particularly in respect of any adverse impact on the availability and cost of repair parts for motor vehicles and how this may adversely impact claims costs.



The COVID-19 pandemic continued throughout the year but with a lessening impact as life in the UK started to return to something approaching normality. In reality, and other than the actual periods of lock-down in the UK, the Company was not adversely affected by the pandemic.

A.2 Underwriting Performance

EICL solely underwrote UK motor business during the year.

EICL mitigates its risk with Quota Share reinsurance and Excess of Loss reinsurance. This provides protection both against adverse performance from attritional losses and from large claims.

EICL prepares its financial statements in accordance with Generally Accepted Accounting Principles in Gibraltar ("GAAP") and the underwriting performance information given in this section is therefore on a GAAP basis.

The following table summarises the technical account performance for the year ended 31 December 2022 along with the comparative figures for 2021.

Year ended:

	31-Dec-22			31-Dec-21		
	Motor Liability £'000	Other Motor £'000	Total £'000	Motor Liability £'000	Other Motor £'000	Total £'000
Motor Insurance:						
Gross written premiums	22,663	2,518	25,181	20,052	2,228	22,280
Outwards reinsurance premiums	(18,968)	(2,108)	(21,076)	(16,902)	(1,878)	(18,780)
Net written premiums	3,695	411	4,105	3,150	350	3,500
Net earned premiums	3,626	403	4,029	3,063	340	3,403
Claims incurred - gross amount	(16,224)	(1,803)	(18,026)	(13,233)	(1,470)	(14,704)
Claims incurred - reinsurer's share	13,159	1,462	14,621	10,967	1,219	12,186
Claims incurred, net of reinsurance	(3,065)	(341)	(3,406)	(2,266)	(252)	(2,518)
Other Technical Income/ Expenses	4,058	451	4,509	2,413	268	2,681
Net Operating Expenses	(4,742)	(527)	(5,269)	(3,580)	(398)	(3,977)
Balance on technical account	(122)	(14)	(136)	(370)	(41)	(411)

A.3 Investment Performance

All of EICL's reserves are held in bank deposits. Given the relatively small size of these balances, EICL currently holds all deposits with one banking institution, with the exception of the claims float account operated by EICL's claims handling outsourced partner. EICL does not hold any other financial instruments. As at 31 December 2022, EICL held £11.1m in bank deposits (2021: £16.2m), and in 2022 received bank interest of £0.2m net of bank charges (2021: £0.02m).



A.4 Performance of other Activities

EICL receives reinsurance commission from its Quota Share reinsurer as a contribution to the costs incurred by EICL. The table below shows the net amounts in the year. The value of commissions received are in part linked to the underlying underwriting result of EICL.

Year ended:	31-Dec-22		31-Dec-21	
	£'000	£'000	£'000	£'000
	Written	Earned	Written	Earned
Motor Insurance:				
Reinsurance commissions	3,941	3,868	3,360	3,267
Reinsurance profit commission	640	642	(602)	(585)
Total	4,581	4,509	2,758	2,681

A.5 Any other Information

There are no other material matters with regard to EICL's performance.

B Systems of Governance

B.1 General Information on Systems of Governance

B.1.1 Structure of the Board and Committees

EICL operates through a main Board, a Claims and Underwriting Committee and a Risk and Reserving Committee, with memberships as set out below.

BOARD:

- Sten Saar
- Christopher Thiersch (NED)
- Michael Christophers (INED)
- Chris Hill (INED)
- Andrew Wright (Managing Director) - with effect from February 2023

CLAIMS AND U/W COMMITTEE

The Claims and Underwriting committee members as at 31 December 2022 were:

- Shaun Lucas (Underwriting Manager)
- Chris Hill (NED)
- Alexander Price (Zego – Director of Pricing)
- Andrew Wright (Managing Director) - with effect from February 2023

AUDIT, RISK AND RESERVING COMMITTEE

The Audit, Risk and Reserving committee members as at 31 December 2022 were:

- Christopher Thiersch (Director)
- Michael Christophers (Director)
- Shaun Lucas (Underwriting Manager)
- Alexander Price (Zego – Director of Pricing)

EICL's Company Secretary is Raphael Jacob Abergel.

The Board is responsible for overseeing the business of EICL, for providing strategic direction and for supervising management. While the Board delegates certain functions to the two committees, this does not absolve the Directors of their responsibility to the Company.

The Board operates under agreed Terms of Reference which set out the following key responsibilities:

- Setting the strategic direction and objectives of the Company
- Ensuring the integrity and reliability of the Company's finances, including
 - Business planning
 - Capital and Solvency position
 - Directors' remuneration
 - Dividend policy
 - Accounting policies
 - Approval of public documents
 - Investment Strategy
- Approving the underwriting strategy and policy and monitoring its implementation
- Reinsurance responsibilities
- Claims and Reserving Responsibilities
- Operational and Risk Responsibilities
 - Establishing an effective risk management framework including risk management strategies and policies and risk appetite and tolerance limits
 - Establishing an appropriate internal control system and monitoring its effectiveness
 - Overseeing the completion of QRTs, RSRs and SFCRs
- Approving, managing and monitoring the internal and external audit strategy and the performance and effectiveness of the external and internal auditors
- Overseeing, guiding and challenging the ORSA and approving the ORSA report

The Claims and Underwriting Committee operates under agreed Terms of Reference approved by the Board. The key responsibilities of the Committee include: -

- Overseeing the performance of all product lines and intermediaries/distributors
- Receiving, considering, reviewing, challenging and agreeing recommendations and proposals for changes to the underwriting and/or rating

- Considering business opportunities and underwriting proposals presented by management
- Assisting with the negotiation, placement, performance and monitoring of the reinsurance arrangements
- Implementing and overseeing the claims handling, reserving and settlement strategy and philosophy
- Considering and advising on insurance risk management, including risk identification, controls, appetite and mitigation
- Providing input into the calculation of the SCR and technical provisions
- Providing input into the ORSA process
- Monitoring and reporting on market trends and legislative or regulatory changes
- Reporting on all relevant matters to the Board

The Audit, Risk & Reserving Committee operates under agreed Terms of Reference approved by the Board. The key responsibilities of the Committee include: -

- Providing input to, reviewing and challenging the external actuarial review, prior to final reporting to the Board
- reporting to the Board on quarterly external reserve reviews and actuarial function holder report;
- recommending to the Board the level of reserving to be booked based on input from the external reserve review ;
- reviewing key risks and updating the Board on these key risks ;
- maintaining the risk management framework, including any major or significant changes
- developing, managing, monitoring and reporting to the Board on EICL's internal and external audit strategy, ensuring the requirements of the business plan, risk appetite of the company and any statutory or regulatory requirements are met
- managing, monitoring and reporting to the Board on the performance of EICL's external auditors
- managing, monitoring and reporting to the Board on the performance of EICL's outsourced internal auditors
- negotiating with external auditors to secure the best possible terms and monitor their performance ensuring they represent value for money and meet the needs of the business
- negotiating with the outsourced internal auditors to secure the best possible terms and monitor their performance ensuring they represent value for money and meet the needs of the business
- ensuring the internal audit programme has been communicated as required within the company and externally as required
- Seeking formal approval and sign-off from the Board on all Audit, Reserving and Risk activities listed above

B.1.2 Key Functions

EICL has in place the four key functions as required by the Solvency II Directive. These are:

- Risk Management
- Compliance
- Actuarial
- Internal Audit



These functions are responsible for providing oversight of the relevant area and providing assurance to the Board on the operation of EICL's risk management framework. All functions are overseen by Directors of the business, thus ensuring they have the appropriate authority to carry out their roles.

B.1.2.1 Risk Function

The Board of EICL retains full responsibility for the risk function. The function is overseen by Christopher Thiersch.

The function holder is supported in his role by the executive directors and the Claims and Underwriting and Audit, Risk and Reserving Committees, outsourced service providers, including EICL's insurance manager and the third party administrator, who provide input into and assistance with risk management.

B.1.2.2 Compliance Function

EICL outsources compliance services to its insurance manager, with the function overseen by Morgan Peters during the year. The compliance team works closely with the wider group in providing compliance services to EICL.

The Board has approved a compliance monitoring programme, which is updated on an annual basis, and is intended to ensure that EICL complies at all times with all relevant rules, regulations, legislation and guidance to which EICL is subject, both in Gibraltar and, where applicable, in the UK.

Being outsourced, the function is operationally independent from the other areas of the business and, while it reports to the Board, the Board is not able to influence the function or to exert other inappropriate pressures. The Compliance function is authorised to access all areas of the business and is therefore entitled to full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

The Compliance function formally reports to the Board on a quarterly basis.

B.1.2.3 Actuarial Function

The Actuarial Function has specific duties and responsibilities under Solvency II. EICL outsources the actuarial function services to Insight Risk Consulting, and, per the response to the GFSC's Dear CEO letter titled "Regulated Individuals, Governance and Substance", is in the process of recruiting an individual who will serve as the Actuarial Function Holder. In the meantime the Board have assumed oversight responsibility. The outsourcing arrangement ensures that the actuarial function is operationally independent. Specific duties of the Actuarial Function include, but are not limited to:

- Coordinating the calculation of the firm's technical provisions
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions against the data quality standards as set in Solvency II
- Informing the Board of the reliability and adequacy of the calculation of technical provisions
- Expressing an opinion on the overall underwriting policy
- Expressing an opinion on the adequacy of reinsurance arrangements
- Contributing to the effective implementation of the risk management system



- Preparing the Actuarial Function Report for the Board at least annually

In addition, Insight Risk Consulting carry out quarterly reserve reviews and provide an element of operational independence.

B.1.2.4 Internal Audit

EICL's Internal Audit function is overseen by Michael Christophers as the Chairman of the Audit, Risk & Reserving Committee. Internal Audit is responsible for evaluating the approach to risk management and governance, with particular emphasis on the internal control system.

EICL outsources the Internal Audit function to EY Limited, who the Board believe have the skills, knowledge and expertise to provide the services and who are entirely independent from operational aspects of the business.

B.1.3 Changes during the Period

There was a change in the outsourcing of the Internal audit function, during the period, from Mazars LLP to EY Limited.

B.1.4 Remuneration Policy

EICL had one employee during the period. The Independent Non-Executive Directors & Non-Executive Director receive remuneration from EICL. Sten Saar is remunerated elsewhere in the Extracover Group.

Due to the size of EICL and the simple remuneration arrangements, EICL does not have a separate Remuneration Committee, with responsibility for this area being retained by the Board.

The Independent Non-Executive Directors and the Non-Executive Director receive a fixed fee and there were no variable or performance-related elements to their remuneration. During the period, they received remuneration totalling £20k each. The remuneration of other Directors is not linked directly to the performance of EICL. Two Directors of EICL are also an ultimate beneficial owner via a shareholding in the holding company.

Other remuneration arrangements include a management fee payable to EICL's insurance manager, which is not performance related.

B.1.5 Material Transactions

During the year to 31 December 2022, EICL paid its insurance manager a fee of £214k (2021: £189k) for the services provided. It also paid Extracover Ltd a commission for the distribution of its insurance products of £3.1m in the year to 31 December 2022 (£2.3m in the year to 31 December 2021)

In May 2020, Extracover Holdings Limited injected £1.0m Ordinary Share Capital into the Company based on forecast growth for solvency capital purposes. A further £5.0m was injected in June 2021 for the same reason.

B.1.6 Adequacy of the Systems of Governance

EICL operates under an outsourced business model with the Directors being closely involved in all aspects of the operations. The business is currently focused on motor insurance in the UK only. The systems of governance have been established taking account of the principle of proportionality, such that they are appropriate to the size, nature and scale of the operations.

Governance falls within the remit of both the internal and external audit functions and the risk management and compliance functions continuously assess relevant legislation, guidance, advice and best practice to ensure that the systems of governance are kept up to date. Accordingly, these systems are considered appropriate for the Company.

B.2 Fit and Proper Requirements

B.2.1 Requirements for Skills, Knowledge and Expertise

EICL requires that members of the Board and Committees and those individuals carrying out other significant functions are fit to carry out their roles through the possession of the necessary skills, knowledge and experience and that all such individuals are of good repute and integrity. This ensures an appropriate spread of skills for managing the business.

The fitness requirements set out that collectively the Board and Committees cover at least the following areas:

- Knowledge of insurance and financial markets
- Understanding of the business strategy and the business model
- Understanding of the systems of governance
- Knowledge of financial matters, actuarial analysis and management information
- Understanding of the regulatory framework and requirements

B.2.2 Policies and Processes with regard to Fit Requirements

The Board will consider the skills, knowledge and experience required prior to any new appointment and assess whether the individual meets the requirements. On an ongoing basis, all individuals are required to ensure that their skills and knowledge are kept up-to-date and to confirm this annually. The fitness of key individuals is monitored and reported on by the compliance function via ongoing screening using the Dow Jones Risk and Compliance database as well as through the completion of an annual Fitness and Propriety Self-Certification.

All individuals carrying out key or significant functions for EICL are required to demonstrate that they meet EICL's proper requirements with regard to their reputation and character. In order to assess whether this requirement is met, the following factors will be considered:

- the individual's character;
- the individual's personal behaviour;
- the individual's business conduct;
- any criminal aspects;
- any financial aspects;
- any regulatory aspects.

EICL's compliance function ensures that appropriate Notification Documents are prepared for all individuals carrying out notifiable functions and submitted for regulatory approval. The compliance function is responsible for checking propriety on an ongoing basis and to report to the Board at least annually. At the time of drafting the Company is still awaiting a response to the proposal submitted in respect of the Dear CEO letter titled "Regulated Individuals, Governance and Substance" but is confident that its proposal will meet with all regulatory requirements.

B.3 Risk Management System including ORSA

B.3.1 Risk Management System

B.3.1.1 Overview

EICL categorises its risks as follows:

- Strategic Risk
- Insurance Risk (Underwriting and Reserving)
- Regulatory and legal Risk
- Operational Risk
- Market Risk
- Capital Management Risk
- Liquidity Risk
- Credit Risk
- Reputational and conduct Risk

EICL's aim is to ensure that the business is managed at all times in a risk-focussed manner in order to achieve EICL's overall strategic objectives. EICL has in place policies, processes and procedures for each category of risk which are included in the Company's corporate governance framework.

Risk management is the responsibility of the Board with assistance from the Executive Directors and the Claims & Underwriting and Audit, Risk and Reserving Committees. Furthermore, due to the small size of EICL, it depends on assistance from individuals within its outsourced service provider, in particular its insurance manager and Extracover Limited (Zego).

The system of governance is based on the principle of proportionality, such that systems are proportionate to the nature, scale and complexity of Company's operations.

B.3.1.2 Risk Management Strategies, Objectives, Processes and Reporting

EICL's risk management policy is intended to identify all material risks, minimise risks wherever possible and manage and control all significant risks within acceptable limits. The ultimate goal is to ensure policyholder protection, both now and in the future and for EICL to achieve EICL's overall strategic objectives.

EICL sets risk appetite and tolerance limits for each category of risk and monitors performance on a monthly basis.

B.3.1.3 Identification, Measurement, Monitoring, Management and Reporting of Risks

The Board sets risk appetite and tolerance limits for each category of risk and monitors performance on a regular basis. Overall, EICL has an appetite for Underwriting Risk and a tolerance for other forms of risk.



The rationale for the appetite and tolerances is articulated in the individual risk policies, which are reviewed and updated regularly. The overall risk appetite is articulated in the Company's Risk Appetite Statement document.

This approach results in the risk policies and inputs to the Risk Register, where all risks are defined and analysed for potential impact to the Company. All risks identified are recorded and assessed as to their impact and the likelihood of their occurrence, both on an inherent basis (before controls and mitigations) and on a residual basis (after taking account of appropriate controls and mitigations). Qualitative and quantitative assessments of the impact and probability of all risks is contained within the Risk Register, which are part of a regular review process.

The Risk Register is a key input into the risk management regime, and any material changes in the underlying risks will be modelled for potential impact upon EICL's capital requirements. Such changes include, but are not limited to, changes in business mix, strategy and investment policy.

The highest rated risks are reported to the Board on a regular basis. In addition, at each Board meeting consideration is given to whether the Company's risk profile or risk exposure has changed due to decisions taken.

Risk events are reported to the Board when they occur and are recorded in the risk register, including their impact and resolution.

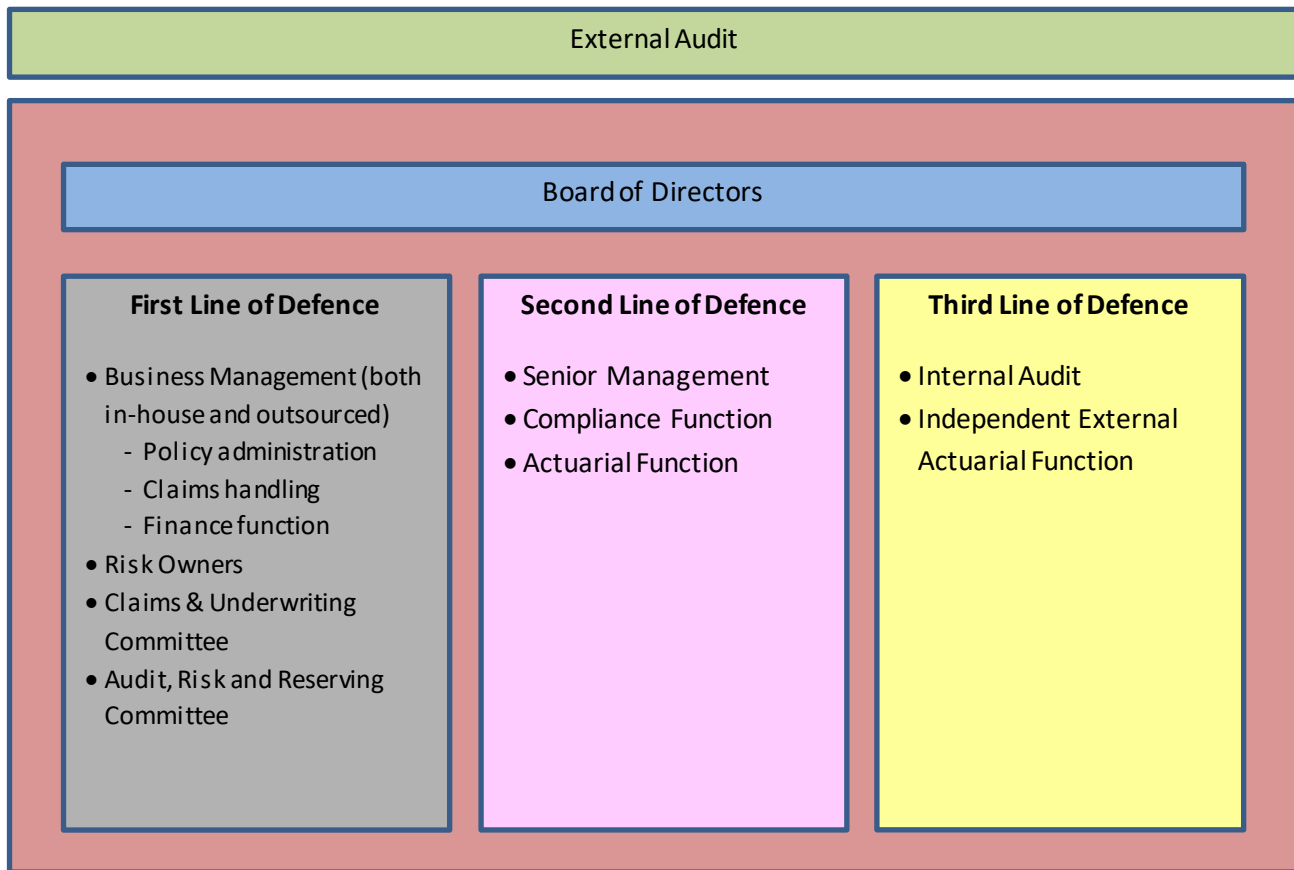
Risk management involves the Board and key outsourced providers. All forums (eg Claims & Underwriting Committee) and individuals involved in risk management have a duty to inform the Compliance, Internal Audit or Actuarial functions of any facts that may be relevant to these functions in performing their duties.

In addition, the Board will receive regular reports from the outsourced Internal Audit function as to the adequacy, effectiveness and efficiency of the internal controls.

B.3.1.4 Implementation of Risk Management Function

The Board of EICL has retained responsibility for the risk management function. While EICL relies on its outsourced service providers for elements of the day-to-day operation of risk management, oversight and control remains with the Board. This ensures that risk management is fully integrated into EICL's business and its decision-making processes.

EICL operates a three-line of defence model as set out below:



First line of defence: Responsible for the day-to-day management and control of risk and the establishment and operation of appropriate internal control measures.

Second line of defence: Responsible for operation of the risk management framework and oversight of risk control and management. Has a level of independence from the day-to-day management and provides the Board with some assurance over the effectiveness of the risk management system.

Third line of defence: Responsible for providing independent assurance on the effectiveness of the first and second lines of defence and over the risk management framework and system of internal controls.

B.3.2 Own Risk and Solvency Assessment

B.3.2.1 ORSA Process and Integration

EICL has established a policy setting out the requirement to carry out an Own Risk and Solvency Assessment ("ORSA"). The purpose of the policy is to ensure that all material risks faced by EICL are appropriately assessed and the level of capital required managing these risks or other risk mitigation measures are determined and put in place. The ORSA should provide the Board and management with a thorough understanding of EICL's risk profile and provide the information needed to make appropriate decisions.

The ORSA takes account of historic performance and future forecasts/budgets over the business planning horizon, which is a period of three years. Various members of the management team and relevant outsourced providers will carry out the ORSA. The Board maintains oversight and control at all times, steering how the assessment is performed and challenging the results to ensure they properly take account of EICL's material risks.

EICL conducts at least an annual ORSA after which a formal report is prepared. This will take place during the final quarter of EICL's financial year, thus ensuring that the timing is aligned with the business planning process.

As part of the ORSA process, management assess the risks to which EICL is exposed and their potential impact on the capital requirement together with any other relevant mitigating factors. This consists of both a quantitative assessment through appropriate stress and scenario tests, as well as a qualitative assessment of risks which may not be covered by capital. The outcome from the ORSA process is to determine the level of capital which the Board consider appropriate for the business.

In addition to the above, the Board will formally assess on a regular basis whether any decisions taken, risk events, market factors or other similar items affect EICL's risk profile, risk appetite, free reserves or other relevant matters. In such a case, the impact on EICL's own assessment of its capital needs will be considered and, if required, a further ORSA together with an SCR calculation will be carried out.

In particular, the following thresholds will require an automatic revision of the ORSA, regardless of other circumstances:

- Volumes increasing by more than 10% above budget, and the forecast performance of the business being such that management feel this will continue.
- Net loss ratio (net of Excess of Loss) deteriorating by more than 10 percentage points compared to budget for a period greater than 6 months.
- New material line of business >£5m of gross written premiums (before XoL and QS) being entered into (that had not been budgeted for).
- SCR ratio falling below 120%, and forecast performance of the business being such that management feel it will continue to be eroded below that level.

The ORSA is conducted by management, including outsourced service providers, with the Board maintaining oversight and control at all times and steering the assessment. The draft report produced is provided to the full Board for discussion, challenge and approval. This is applicable for each ORSA, whether annual or ad-hoc due to changes in the business.

B.3.2.2 Performance, Documentation and Review of the ORSA

A full ORSA cycle is performed at least annually and reported to the Board. The ORSA process is a circular process that relies on key elements of the business:

- **The Board outputs:** Strategy / Capital Management Plan / Risk Appetite
- **Business planning** – providing the basis for the base case projections
- **The Solvency II Pillar I standard formula** 3 year outputs & base assumptions used

- **The Board** – who review, challenge and, as appropriate, approve the test scenarios, the ORSA process and output
- **The Actuarial Function** – who quantify technical provisions and provide other input into the Pillar I model
- **The Risk Function and Management** who quantify the Pillar I capital requirements, assess the outputs and prepare the reports
- **ORSA Reporting to all stakeholders**

The Key Activities in the ORSA Process are:

- Strategy & Planning
- Pillar I base outputs and assumptions
- Risk identification & assessment
- Scenario setting
- Scenario testing through the Pillar I model & production of test output
- Review of test output & report preparation
- Management review & Board review & reporting

Each run of the ORSA process will be appropriately documented to evidence each of its constituent parts, and this record will be retained for any later scrutiny.

The documentation shall contain:

- A summary of the Board strategy for the Company
- The Risk Appetite Statement
- The Pillar I standard assumptions & output
- The schedule of scenarios to be tested, cross-referenced to the Risk categories in the Board's risk appetite, and quantification of deviations from the base assumptions
- The scenario test results
- The ORSA report
- Any relevant minutes relating to scrutiny, review & challenge of the ORSA process & outputs

B.3.2.3 Relationship between Solvency Needs, Risk Profile, Capital Management and Risk Management

The ORSA enables the Board to assess EICL's capital needs over the planning horizon, which is three years. The ORSA is carried out taking due account of EICL's specific risk profile and includes both risks explicitly captured in the Standard Formula, as well as risks which are either not captured or not able to be mitigated through capital. All risks are taken into account in the ORSA process.

The capital management policy has been established to ensure that EICL has in place the appropriate levels and quality of capital both as required by the SCR calculation and as determined by the ORSA. The policy aims to ensure that appropriate plans are in place to enable EICL to meet its capital requirements both in the immediate and the medium-term future and that all items of own funds comply with the relevant rules, regulations and legislation. The Capital Management Plan identifies a number of potential sources of capital and associated corrective actions that may be utilised to restore sufficient capitalisation, depending on the

severity of the capital requirements placed upon EICL. When considering the sources of capital and corrective actions, EICL's plan incorporates the Solvency II Own Fund requirements. In addition, as part of its capital planning, the Company integrates projected capital needs with its business planning and financial forecasting processes.

The Board takes due account of the available capital, the Company's risk profile, future business plans and the outcome of the ORSA in an iterative cycle. Any material changes in the underlying risks, such as changes in business mix, reinsurance strategy and investment strategy, are modelled for potential impact upon EICL's capital requirements. The result of this process is to ensure that all material risks feed into the capital requirements analysis, and in some cases also trigger further investigation through stress testing.

B.4 Internal Control System

B.4.1 Internal Control System

EICL is committed to managing its business in a risk-focused manner. In order to achieve this, appropriate controls have been put in place to reduce risks where possible. Risk management and the adherence to the internal controls are an integral part of the business culture.

Responsibility for establishing an appropriate internal control environment rests with the Board as a whole and its Directors individually. EICL has established internal control systems which take due account of the nature of the business. Responsibility for adherence to internal controls rests with all individuals involved in the management of the business.

The internal control policy is targeted at ensuring that:

- Processes and procedures exist for the identification and assessment of risks
- Appropriate processes and procedures are in place to control identified risks
- Individuals involved in the business are trained and aware of their role with regard to internal controls
- Appropriate monitoring and review processes are in place

Key controls that operate to mitigate risks are recorded in the appropriate risk register. The internal control framework for EICL is subject to review by EICL's internal audit function.

B.4.2 Compliance Function

B.4.2.1 Implementation of Compliance Function

The compliance function is an integral and significant element of EICL's business, responsible for ensuring EICL complies with all relevant rules, regulations, guidance and legislation with regard to both Gibraltar and UK requirements. The compliance function also reports to the Board on any relevant changes in the legal environment in which EICL operates.

EICL outsources its Compliance function to its insurance manager, with a named Compliance Officer having overall responsibility. The compliance function has established a Compliance Monitoring Programme which

is approved by the Board on an annual basis. Compliance formally reports to the Board on a quarterly basis with regard to the tasks carried out during the quarter.

While the provision of compliance services has been outsourced, this remains under the oversight of the Board, in particular the function holder, and the Board retains full responsibility.

B.4.2.2 Independence and Authority of Compliance Function

Due to the outsourced nature of the compliance function, the function is operationally independent from the other areas of the business.

The compliance function is authorised to access all areas of the business and is therefore entitled to full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

The Board considers and approves the compliance monitoring programme on an annual basis to ensure that all relevant areas are captured and receives the quarterly compliance reports, but does not otherwise seek to instruct or influence the Compliance function.

B.5 Internal Audit Function

B.5.1 Implementation of the Internal Audit Function

Internal Audit is an objective and independent activity, whose role is to help management achieve EICL's objectives by constantly improving the effectiveness of EICL's operations. It is responsible for evaluating management's approach to risk management and governance, with particular emphasis on systems of internal control. It investigates the manner in which EICL's processes and controls operate in order to assess their effectiveness in ensuring compliance with strategy and policies.

The Internal Audit function covers all aspects of EICL's business. In particular, it will consider:

- Governance and business planning
- Underwriting and policy administration
- Claims handling and reserving
- Investment
- Finance/Accounting
- IT
- Compliance

The board member responsible for Internal Audit oversees a three-year plan to ensure that all relevant areas are covered within an appropriately determined timeframe, taking into account the relevant risks and uses this plan as the basis for the detailed annual plan. The outsourced Internal Audit function carries out its examination at least once per annum and as requested on an ad hoc basis on any additional areas.

EICL outsources the Internal Audit function to an external firm.

A number of internal assurance processes and procedures will be taken into account by the outsourced provider in discharging their duties:

- The Board, with the assistance of its insurance manager, carries out an internal review of the governance, risk management and business planning systems and processes, including its own procedures, on an annual basis

- Members of the Extracover Limited team carry out periodic audits of the claims handler and brokers and report to the Board, these audits to be conducted at least annually
- Internal Audit will liaise with and leverage the work of the external auditors

After each audit, appropriate reports are produced.

B.5.2 Independence and Objectivity of the Internal Audit Function

Internal Audit is outsourced to an external firm with the required skill-set and experience and is not involved in any operational aspects of the business. This ensures that the function is independent, objective, and impartial and not subject to influence from the Board or management.

Internal Audit is authorised to review all areas of EICL (as necessary) and its business, and is therefore entitled to have full and unrestricted access to all information, records, property, personnel and activities. Staff and management (even if not staff of EICL) have a duty to make all requested information available promptly and to assist with any enquiries.

The Board will approve the 3-year audit and assurance plan, and is free to request additional areas to be reviewed by internal audit and/or internal assurance activity. In addition, the Board receives and reviews the reports produced by the function. However, the Board does not otherwise seek to instruct or influence the Internal Audit team.

B.6 Actuarial Function

B.6.1 Implementation of Actuarial Function

The role of the Actuarial Function is to provide the Board with an independent perspective on key insurance aspects of EICL's operations. This will ensure that the Board is fully informed of matters that may impact the business.

EICL outsources the Actuarial Function services to an external actuarial firm (Insight Risk Consulting) who provides the services under oversight of the Actuarial Function Holder and ultimately the Board.

The Actuarial Function is responsible for the following areas:

- Coordinate the calculation of the firm's technical provisions (and the Quarterly Reserve Review)
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions
- Assess the sufficiency and quality of the data used in the calculation of technical provisions against the data quality standards as set in Solvency II
- Inform the Board of the reliability and adequacy of the calculation of technical provisions
- Express an opinion on the overall underwriting policy
- Express an opinion on the adequacy of reinsurance arrangements
- Contribute to the effective implementation of the risk management system

- Prepare the Actuarial Function Report
- Provide the Actuarial Report on Technical Provisions.

The Actuarial Function reports its findings to the Board at least annually, covering all areas for which it is responsible. The report should be appropriate to assist the Board in its decision-making process and to identify to the Board areas where improvements are required. The report should also identify any material uncertainty about data accuracy and explain the approach taken in light of this uncertainty.

B.7 Outsourcing

B.7.1 Outsourcing Policy

Outsourcing is defined as the contracting out of all or part of an internal process or internal activities to a third party provider on a continuous basis. EICL has in place an outsourcing policy which ensures that all outsourcing will:

- Support EICL's business strategy and key objectives
- Provide customers with an experience at least as good – or better – than an in-house alternative
- Enable the firm to deliver a service experience to customers at a cost consistent with EICL's cost objectives/budget/business plan
- Enable EICL to exercise control over outsourced service providers to ensure that any risks are properly identified, understood and appropriately mitigated
- Enable EICL to demonstrate that its responsibilities in respect of outsourced activities are being effectively discharged

While EICL outsources certain key activities, EICL retains all decision-making powers and ultimate responsibility for the outsourced services.

The outsourcing policy sets out the following:

- The definition of outsourcing
- Responsibility for implementation and operation of the policy and consequent controls and processes
- The criteria for outsourcing
- Due diligence on potential providers
- Establishment of appropriate contractual arrangements which clearly define responsibilities and allow adequate supervision and control
- Establishment of appropriate contingency planning, including terminating or exiting the arrangement
- Periodic audit requirements
- Records of outsourced arrangements
- The approval process
- Contract and legal requirements
- Risk assessment and risk mitigation measures
- Monitoring and on-going requirements

B.7.2 Outsourced Functions and Activities

The following table sets out the key functions outsourced by EICL:

Function/Services	Jurisdiction
Policy administration and processing including provision of management information	United Kingdom
Claims handling, reserving and settlement	United Kingdom
Accounting and financial services	Gibraltar
Assistance with risk management	Gibraltar
Compliance services	Gibraltar United Kingdom
Company secretarial services	Gibraltar
Actuarial function services	United Kingdom
Internal audit	Gibraltar

B.8 Any other Information

B.8.1 Adequacy of Systems of Governance

EICL is a small company with the directors closely involved in all key aspects of the business. EICL is not complex, focussing mainly on a single line of business, with known and fully understood risks. The systems of governance have therefore been established taking due account of the principle of proportionality, being appropriate to the size, nature and scale of the operations.

The Board has in place a process of regularly evaluating the effectiveness of the systems of governance. In addition, governance falls within the remit of both internal and external audit and the risk management function continuously assesses relevant legislation, guidance, advice and best practice to ensure that the systems of governance are updated and maintained at all times.

B.8.2 Any other Material Information

There is no other material information to report as at 31 December 2022.

C. Risk Profile

EICL's governance framework sets out the type and level of risk which EICL is willing to accept in the achievement of its strategic objectives. This framework provides both qualitative and quantitative measures and limits, which are taken into account in making key business decisions.

EICL's appetite is for the business to focus on the provision of motor insurance to customers who use their vehicles to make money, along with motor related ancillary covers. All business is underwritten in the UK.

As EICL only commenced trading in October 2019, the firm currently holds all financial assets in cash deposits with secure banks.

EICL's risk components with the Solvency Capital Requirement ("SCR") as at 31 December 2022 is set out in the table below:

Year ended:	31-Dec-22	31-Dec-21
Risk Category	%of SCR	%of SCR
Underwriting Risk	33.3%	46.6%
Market Risk	32.8%	0.6%
Credit Risk	19.5%	29.7%
Operational Risk	14.4%	23.1%
Total	100%	100%

The significant increase in the market risk, arises from the decision to place surplus funds on deposit to take advantage of the higher interest rates currently available.

C.1 Underwriting Risk

C.1.1 Material Risks

Underwriting risk arises from the risk of loss due to incorrect selection of risks or pricing leading to changes in insurance liabilities. This can arise from inadequate pricing or risk selection, inappropriate reserving, or other fluctuations in the timing, frequency and severity of insured events.

EICL distributes all business via the group intermediary in the United Kingdom. Whilst the UK motor industry is highly competitive, EICL, through the Zego brand, operates in a niche specialized segment of the market providing short term hire and reward policies to workers looking to make a living through the use of their vehicles and also complimentary SDP policies to existing customers. However, the motor market continues to be subject to numerous regulatory and legislative changes and is highly sensitive to the economic environment, the behaviour of policyholders, the actions of other service providers to the industry, such as claimant lawyers and claims management companies and the behaviour and practices of competitors.



EICL manages underwriting risks through regular review of performance information, encompassing loss ratios, frequency, and cost of claims, policy conversion by market sub-segment.

The following are the key underwriting and reserving risks identified by management:

- Poor underwriting guidelines/ rules for the target market, resulting in unintended claims being captured or risks outside appetite being written
- Ineffective pricing models/processes, resulting in adverse Loss Ratio due to pricing not covering expected frequency/severity and/or concentration in poor risk segments
- Application fraud: Failure to deal with potentially fraudulent risks at point of application/sale, and associated claims cost
- Case Reserves / IBNR reserves set too high or too low; claims settling at higher/lower levels than anticipated leading to higher/lower than expected profit/solvency and Underwriting based on incorrect information
- Claims Fraud: Failure to deal with potentially fraudulent claims, which increases claims cost unnecessarily

C.1.2 Material Risk Concentrations

EICL's business comprises solely of motor insurance, therefore leading to some risk concentration due to exposure to market factors. However, within this class of business, EICL writes a variety of different categories of risks within the verticals of Delivery, Ride-Hailing and Motor Fleet; further the shorter-term policies allow the business to respond quickly on pricing to changing market conditions.

C.1.3 Risk Mitigations

EICL seeks to mitigate underwriting risk through the purchase of reinsurance protection and the implementation of appropriate controls.

EICL purchases both Excess of Loss and Quota Share reinsurance from reputable Reinsurance partners rated "A" and above, to protect the business against the impact of large losses and to assist with the effective management of capital. The Excess of Loss programme covers all losses in excess of £1.0m (£0.5m prior to 1 March 2022) after allowing for indexation, and the company has also purchased a proportional Quota Share reinsurance treaty such that the company retains 20% of each and every motor risk. It has been agreed that as from 1st March 2023, the EICL retention will increase to 30%.

In addition, EICL further mitigates underwriting risk through the following:

- Price monitoring and review of individual segments/risk factor analysis
- Mix of business reporting. Monthly analysis and review of performance including loss ratios, frequency, and business mix
- Periodic claims performance MI
- Periodic internal audits within the claims team

- Independent technical claims audits
- Annual independent review of reserves and Actuarial Function Holder review
- Regular reports of quotes, business written, claims and loss ratios provided to the Board and management
- Ongoing review of performance and footprint by management
- Appropriate reports produced for Claims and Underwriting Committee
- Board sign-off of Excess of Loss and Quota Share reinsurance programmes
- Periodic audits of claims handler
- Reports to the board on sanctions, AML and Fraud risk.

C.1.4 Stress and Sensitivity Testing

EICL carries out stress and sensitivity testing as part of the ORSA process, which is carried out at least annually. This considers stresses both with regard to business volumes, future loss ratios, default of counterparties and the run-off of existing reserves. This showed that the greatest sensitivity arises from changes in future loss ratios driven by a change in frequency of large bodily injury or deterioration in existing reserves due to changes in loss ratios. However, given the high level of reinsurance protection purchased by the firm, and that many of the risks sold by EICL are short term in nature the Board feels that EICL is in a good position to respond to adverse development of attritional loss ratios should this situation arise. The board believes that the stress testing of future loss ratio deterioration also covers an increase in claims costs arising from poor claims handling and inadequate reserving.

C.2 Market Risk

C.2.1 Material Risks

Market risk arises from changes in the income generated by investments or from changes in the value of such investments and includes:

- Interest rate risk
- Spread risk
- Equity risk
- Currency risk
- Property risk
- Concentration risk
- The Company does not hold any fixed income investments, equity holdings, property investments and is not directly exposed to movements in foreign exchange rates. The current investment approach is focused on capital preservation and as such the firm's cash balances are held in bank deposits with secure banks.

- The main market risk to which the Company is exposed is the complete failure of a bank and falling interest rates that reduce the overall investment returns after allowing for the effect of inflation. The company is not exposed to any “mark to market” fluctuations in the value of its investments.

C.2.2 Material Risk Concentrations

EICL holds all of its cash assets with one relationship bank. However, this bank is highly rated and part owned by the UK Government.

C.2.3 Risk Mitigations

EICL is not exposed to market risk, however, management monitor the position through the following mechanisms:

- Regular review of cash balances and exposure to the banking counterparty
- Cash flow reviews
- Investment policy with agreed limits

C.2.4 Prudent Person Principle

EICL has an extremely conservative investment approach with all investments held in cash or short term notice accounts. At the moment this approach is felt appropriate given the composition of the firm’s balance sheet and liability profile.

EICL does not hold any securitized investments, or derivative instruments. The cash balances are, by definition, liquid and there are no areas of judgement required in arriving at the value of these balances. EICL does not undertake any unusual or non-routine investment activities.

In the event that any changes to the investment approach be proposed, the Board will:

- Assess the impact on EICL’s risk profile, consider whether a revised ORSA is required;
- Ensure that appropriate skills are in place to manage and monitor the investment activity – either internally or through a suitably qualified investment manager;
- Document how the change will improve the portfolio as a whole whilst complying with the Prudent Person Principle

C.2.5 Stress and Sensitivity Testing

Given the cautious nature of EICL's investment approach, stress tests during the ORSA process in respect of Market Risk have been limited to a shock to the risk free interest rate used to discount cash flows under Solvency II under the Standard Formula. The results of these stress tests did not materially alter the firm's solvency coverage.

C.3 Credit Risk

C.3.1 Material Risks

Credit risk arises from the risk that parties who owe money to EICL are unwilling or unable to pay the amounts due to EICL. Credit risk for EICL arises from a number of sources:

- Banking counterparties
- Reinsurance counterparties
- Premiums due from the UK intermediary

EICL aims to minimise the counterparty risk arising from its operations through the careful selection of counterparties and close management and control of amounts due to the Company. The terms of the arrangement with the UK Intermediary include strict terms of credit and the intermediary is required to hold any premiums collected in a designated client account.

C.3.2 Material Risk Concentrations

EICL's material concentrations as at 31 December 2022 are as follows:

- Exposure to a single banking counterparty. Total exposure as at 31 December 2022 amounted to £19.7m (31 December 2021: £16.2m).
- Premium debtors due from the UK service company. Total balance due as at 31 December 2022 £3.7m (31 December 2021: £3.7m) none of which was overdue.
- The balance due from reinsurers as at 31 December 2022 amounted to £0.4m (31 December 2021: £nil), none of this amount is falling due.
- Net amounts due from Quota Share reinsurer, £22m (31 December 2021: £11.7m), none of which was overdue.

C.3.3 Risk Mitigations

EICL mitigates credit risk through a number of mechanisms:

- Distribution through one intermediary with short credit terms
- Appropriate rating for reinsurance counterparties
- Use of an experienced reinsurance broker
- Appropriate rating of banking counterparties

- Document controls/checks around the collection of instalment premiums

C.3.4 Stress and Sensitivity Testing

EICL depends to a large extent on its reinsurance program in mitigating risk. Hence the credit risk arising from these arrangements needs to be appropriately managed. The risk of reinsurers suffering a credit downgrade is therefore one of the stresses considered as part of the ORSA process. Due to the diversification of reinsurers, EICL has limited exposure to this risk from an Excess of Loss reinsurance perspective, but is exposed to this risk in respect of the proportional Quota Share reinsurer that reinsures 80% of EICL's risk, reducing to 70% effective 1st March 2023 – this reinsurance has been placed with one of the largest and strongest counterparties in the market which has a AA credit rating.

C.4 Liquidity Risk

C.4.1 Material Risks

Liquidity risk is the risk of losses from the inability of EICL to pay its liabilities as they fall due. EICL has an extremely low level of liquidity risk, due to the nature of its asset base with all funds held in cash. EICL's reinsurance partners all have strong balance sheets and as such the Board does not believe the structure of the firm's reinsurance arrangement creates any liquidity issues. EICL therefore does not have any material liquidity risk exposure.

C.4.2 Material Risk Concentrations

There are no material liquidity risk concentrations due to the investment approach of EICL.

C.4.3 Risk Mitigations

Liquidity risk is mitigated through the firm's investment approach, credit terms with the UK service company and reinsurance arrangements.

C.4.4 Stress and Sensitivity Testing

Liquidity risk is not subject to separate stress and sensitivity testing as the risk is not considered to be material to EICL.

C.4.5 Expected Profit in Future Premiums

The expected profit in future premium (excluding run-off expenses) as at 31 December 2022 is £0.4m (2021: £0.3m).

C.5 Operational Risk

C.5.1 Material Risks

Operational risk arises from failed internal processes, procedures or controls, from personnel or systems failures, from external events or from a failure to comply with legislation, regulations or other obligations. Reputational risks have also been considered in this category.

EICL has identified the following key operational risks:

- Breach of data protection rules, including GDPR
- IT system failures
- Reliance on third party outsourcing arrangements, particularly in the area of claims handling
- Reliance on key personnel

Operational risks are identified, assessed and set out in EICL's risk register, along with appropriate controls. There is a process for regular reporting of risk events.

The risk register is discussed on a regular basis by the EICL Board, with input from all relevant functions and activities within the business.

C.5.2 Material Risk Concentrations

There are no material risk concentrations.

C.5.3 Risk Mitigations

EICL has a strong internal control framework to mitigate operational risk. This encompasses the following key controls in managing operational risk:

- Four-eyes processes for MI production and analysis
- Detailed analysis and review of monthly MI
- Four-eyes processes for financial information
- Four-eyes processes for payments
- Oversight, monitoring and audits of claims handler
- Data integrity and other IT controls at service providers
- Disaster Recovery and Business Continuity plans

C.5.4 Stress Testing and Sensitivity Analysis

Operational risk is included in the Standard Formula, with an appropriate risk charge calculated. In addition, a number of operational risks would directly impact underwriting risk and are therefore also captured. As part of the ORSA process, EICL also considers those risks which may not be fully captured in the Standard Formula, in particular the exposure to outsourced service providers and various reputational risks. These risks are managed through appropriate controls and other mitigating actions, such as close involvement of the Board in all key operational decisions.

D. Valuation for Solvency Purposes

D.1 Assets

The following bases, methods and assumptions have been used in valuing each material class of assets of Solvency II purposes.

The material classes of assets as at 31 December, except for reinsurance technical provisions, are as set out in the table below:

Description	2022		2021	
	GAAP	Solvency II	GAAP	Solvency II
	Value £'000	Value £'000	Value £'000	Value £'000
Deposits other than cash equivalents	11,104	11,104	8,046	8,046
Insurance and Intermediaries receivables	3,682	-	3,738	-
Reinsurance receivables	380	1,025	15	-
Receivables (trade, not insurance)	-	-	-	-
Cash and cash equivalents	9,162	9,162	8,191	8,191
Deferred acquisition and processing costs	315	70	259	55
Any other assets	155	155	40	40
Total	24,796	21,516	20,288	16,332

D.1.1 Deposits, Cash and Cash Equivalents

At the year end, the Company held £9.2m in cash and cash equivalents and £11.1m in fixed deposits of less than 1year inclusive of accrued interest, with banking counterparties. All amounts are held in GBP and mainly in the Gibraltar operation of a bank with a Head Office in the United Kingdom. The exception being a claims float account used by the Companies Claims Handlers for the settlement of agreed claims which is held in a United Kingdom bank account.

Deposits, cash and cash equivalents are valued at fair value, based on the actual balances held, and EICL has on-line access to the bank balances and also receives monthly statements.

The valuation of these assets is the same for GAAP and Solvency II and no estimates or judgements have been used. For GAAP purposes accrued interest is reported separately. There has been no change in the basis on which these items are valued and recognised.

D.1.2 Insurance and Intermediaries Receivables

Insurance and intermediary receivable items on a GAAP basis represent premiums owed to EICL from its brokers less commission and including IPT. At the year end, EICL was owed £3.7m which was due but not yet payable from the UK service company in respect of insurance premiums. As at 31 December 2022 no amounts due were overdue.

Premiums receivable are valued at fair value, being the amounts recoverable, and as no other amounts are overdue, there have been no significant estimates or judgements made in arriving at the valuation. There has been no change in the valuation and recognition basis during the year.

While the assets are valued on a consistent basis both for GAAP and Solvency II, for Solvency II valuation purposes premium debtors are set against technical provisions to the extent that they are not overdue.

D.1.3 Reinsurance receivables

Reinsurance receivables balance on GAAP basis amounting to £0.4m comprises advance payments of reinsurance premiums paid to the Excess of Loss Reinsurers.

D.1.4 Receivables (trade, not insurance)

These items are valued at fair value, being amounts recoverable and no significant estimates or judgements are required. There are no differences in valuation for GAAP and Solvency II purposes and there has been no change in the valuation and recognition during the year. EICL had no trade receivables as at 31 December 2022.

D.1.5 Deferred Acquisition and Processing Costs

Deferred acquisition and processing costs represent commission, policy administration and similar expenses directly related to the acquisition and processing of policies, which are deferred over the period relating to the underlying unearned premiums. At 31 December 2022 EICL had £0.2m of deferred acquisition costs.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred acquisition costs do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet. There has been no change in the recognition and valuation basis during the year.

D.1.6 Other Assets

Other assets of £0.1m on a GAAP basis represent deferred Motor Insurance Bureau (MIB) levies that are accrued for and earned in line with premiums, and prepayments. As these amounts do not result future cash flows they are excluded from the Solvency II balance sheet.

D.2 Technical Provisions

Technical Provisions represent the insurance liabilities as at the reporting date. EICL's gross and net Technical Provisions by business line are set out in the table below:

2022	Motor Liability £'000	Other Motor £'000	Total £'000
Gross best estimate technical provisions	19,575	411	19,986
Risk margins	192	4	196
Total gross provisions	19,767	415	20,182
Reinsurance recoverables	(15,854)	(333)	(16,187)
Net technical provisions	3,913	82	3,995

2021	Motor Liability £'000	Other Motor £'000	Total £'000
Gross best estimate technical provisions	10,494	1,179	11,673
Risk margins	99	11	110
Total gross provisions	10,593	1,190	11,783
Reinsurance recoverables	(7,942)	(892)	(8,834)
Net technical provisions	2,651	298	2,949

D.2.1 Bases, Methods and Assumptions

D.2.1.1 Best Estimate

The starting point for the valuation of technical provisions is the best estimate of claims costs, both on earned and on unearned exposure, for all business written at the valuation date. This assessment is carried out internally by Artex and validated for reasonableness by the independent external actuary.

Management then apply payment patterns to the actuarial best estimate, based on historical information and reasonable assumptions and judgements, to convert the best estimate to future cash flow.

D.2.1.2 Expenses

The cost of running of the existing insurance obligations is estimated, on the basis that EICL will continue to write other business. This is based on the current levels of expenditure and takes due account of decreasing activity in the existing business lines.

D.2.1.3 Events Not in Data

There may be possible future events which are not reflected in the historical data of EICL or the market. Such events are referred to as Events Not in Data ("ENIDs").

EICL considered that an allowance for ENIDs would be immaterial at this point in time as there is no compelling evidence to indicate that any negative items would not be offset by positive ones.

D.2.1.4 Bound but not Incepted

EICL may be contractually obligated to write certain business at the year end, although the risks will not incept until the following year. For example, renewal business for January 2023 will be invited prior to 31 December 2022. At this date, the value of such business, net of reinsurance, was estimated at £0.2m.

D.2.1.5 Discounting

Cash flows are discounted using the risk free interest rate structure as provided on a monthly basis by EIOPA.

D.2.1.6 Risk Margin

The risk margin is calculated using simplification method 3. This assumes that future SCRs is proportional to the best estimate technical provisions over time and projects future SCRs at this rate. A cost of capital rate of 6% is applied to each SCR estimate and discounted back using EIOPA yield curves.

D.2.1.7 Allocation to Lines of Business

Best estimates and cash flows are calculated separately for each line of business. However, all of EICL's business comprises motor, which is required to be split for Solvency II purposes into motor liability and other motor. It is not normal practice in the UK market to rate motor business on this basis, and EICL therefore needs to apply a different methodology to calculate this split.

EICL uses claims heads of damage to split its motor business into the Solvency II classes. Bodily injury and third party property damage are allocated to motor liability, with accidental damage, windscreen, fire and theft being allocated to other motor.

D.2.1.8 Reinsurance Recoverables

EICL has reinsurance recoverables arising from its Excess of Loss and Quota Share arrangements. Such items are calculated on a consistent basis with gross technical reserves, reflecting best estimates of both expired and unexpired risks, converted to cash flows and discounted at the appropriate risk free rate.

Amounts due from and payments due to reinsurers are included in the technical provision to the extent they are not overdue. The calculation also makes allowance for the possibility of insurer default, based on the counterparty's rating and the level of exposure.

D.2.1.9 Simplifications

No material simplifications have been used in the calculation of technical provisions.

D.2.2 Uncertainty

Technical provisions require judgement and estimations and therefore contain an element of uncertainty. Key areas of uncertainty in the firm's technical provisions are:

- Outstanding reserves: Reserves on reported claims are based on reasonable estimates, reflecting information known at the balance sheet date. Ultimate settlement of these claims may differ from estimates.
- Future losses: Future losses arise on both expired and unexpired risks and the estimation of these losses is based on actuarial assumptions. Such assumptions will take account of past performance and known or anticipated future changes, and may ultimately prove to differ from actual experience.
- Other estimates: Technical provisions include assumptions as to expenses, events not in data and bound but not incepted risks. While these assumptions are prepared on a best estimate basis, reflecting historical experience where appropriate, they could ultimately prove to be inappropriate.
- Legislative and market factors: The UK motor market has been subject to material changes in the past, encompassing legislative, economic and behavioural changes. Similar changes in the future are difficult to predict, but could ultimately impact best estimates and future cash flow.

EICL seeks to minimise the level of uncertainty through a robust process involving external actuarial advice. Claims performance is closely monitored to ensure that changes in trends are identified and appropriately reflected in future projections.

D.2.3 Differences between Solvency II and GAAP Valuation

The starting point for both Solvency II and GAAP valuation of technical provisions is the actuarial best estimate reserves. Key difference between the valuation bases are:

- GAAP valuation of gross reserves may include a margin above best estimate. Solvency II valuation is required to be at best estimate and any margin is removed
- GAAP valuation includes unearned premium, being the premium which reflects the unexpired risk exposure. Under Solvency II, the unearned premium is replaced by future claims expected to arise on this unearned exposure
- GAAP reserves do not include run-off expenses
- GAAP reserves may not include events not in data
- GAAP reserves do not make allowance for bound but not incepted business
- GAAP reserves are calculated without a risk margin
- Insurance and intermediaries receivables are set against total gross technical provisions for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate item on the balance sheet for GAAP reporting
- Reinsurance receivables and payables are set against technical provision reinsurance recoverables for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate items on the balance sheet for GAAP reporting

The table below shows the movement from GAAP technical provisions to Solvency II technical provisions.



As at 31 December 2022	Gross Technical Reserves £'000	Reinsurance Recoverables £'000	Total £'000
GAAP reserves	32,509	27,052	5,456
Remove management margin	(6,380)	(3,785)	(2,595)
Premium debtor/creditor	(3,682)	(4,004)	323
UPR Profit/(loss)	(734)	(553)	(181)
Remove DAC	(244)	(314)	70
BBNI Profit (loss)	(1,020)	(816)	(204)
Run-off expenses and other adjustments	849	(338)	1,187
Reinsurance bad debt	-	(2)	2
Effect of discounting	(1,311)	(1,052)	(259)
Risk margin	196	-	196
Solvency II technical provisions	20,182	16,187	3,995

As at 31 December 2021	Gross Technical Reserves £'000	Reinsurance Recoverables £'000	Total £'000
GAAP reserves	18,440	15,595	2,844
Remove management margin	(2,807)	(2,246)	-561
Premium debtor/creditor	(3,738)	(3,349)	-389
UPR Profit/(loss)	(247)	(202)	-45
Remove DAC	(204)	(243)	39
BBNI Profit (loss)	(278)	(222)	-56
Run-off expenses and other adjustments	714	(337)	1,051
Reinsurance bad debt	-	(1)	1
Effect of discounting	(206)	(161)	-45
Risk margin	110	-	110
Solvency II technical provisions	11,783	8,834	2,949

D.2.4 Transitional adjustments

EICL has not used any transitional adjustments with regard to the matching adjustment, volatility adjustment, transitional risk free interest rate term structure or transitional deduction.

D.2.5 Changes over the Period

There have been no changes in the assumptions made since the previous period.

D.3 Other Liabilities

The following bases, methods and assumptions have been used in valuing each material class of liabilities for Solvency II purposes.

The material classes of liabilities as at 31 December 2022, except for gross technical provisions and reinsurance payables (which form part of SII TPs), are as set out in the table below:

	2022		2021	
	Solvency II value £'000	GAAP value £'000	Solvency II value £'000	GAAP value £'000
Reinsurance payables	-	4,384	-	3,364
Payables (trade, not insurance)	3,093	2,691	1,927	1,927
Deferred acquisition cost - reinsurer's share	-	338	-	337
Deferred reinsurance commission	-	314	-	243

D.3.1 Insurance and Intermediaries Payables

EICL has no insurance and intermediary payables as at the balance sheet date other than claim payments due to claimants totalling £30.6m (2021: £16.6m), which are included within technical provisions.

There have been no changes in the valuation approach during the year.

D.3.2 Reinsurance Payables

At 31 December 2022 EICL had £4.4m (2021: £3.4m) of reinsurance payables on a GAAP basis, being payments due under the Quota Share arrangement. The amount due under the Quota Share arrangement represents the reinsurer's share of premiums net of claims and XoL costs, less reinsurance commission due to EICL. Settlements are made in arrears on a quarterly basis.

These amounts are valued at fair value, being the actual amounts payable. The key estimate in deriving the Quota Share balance is the actuarial best estimate loss ratio, as this drives the commission due to EICL, which varies with the performance of the business.

There have been no changes in the valuation and recognition basis during the year, and there are no differences in the underlying valuation for GAAP and Solvency II. However, for Solvency II purposes these items, to the extent they are not considered overdue, are set against technical provisions reinsurance recoverables, whereas under GAAP they are shown separately on the balance sheet.

D.3.3 Payables (trade, not insurance)

Other payables comprise certain costs, including taxes, due at 31 December 2022 as set out below:

	2022	2021
	£'000	£'000
Claims Handling Fees	841	485
Insurance premium tax payable	753	665
MIB Creditor	787	679
Accruals	310	98
Total	2,691	1,927

These items are valued at fair value, being the amounts payable, and are valued consistently under Solvency II and GAAP. There have been no estimates or judgements and no changes in the recognition and valuation basis.

D.3.4 Deferred Reinsurance Commission

EICL receives commission from its reinsurance partners. This is earned in line with the underlying premium and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2022 EICL had a total of £0.3m (2021: £0.2m) in deferred commissions.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred reinsurance commissions do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet. There has been no change in the recognition and valuation basis during the year.

E. Capital Management

E.1 Own funds

E.1.1 Management of Own Funds

E.1.1.1 Objectives, Policies and Processes in Managing Own Funds

EICL has in place a Capital Management Policy to ensure that EICL has the appropriate levels and quality of capital to meet both the SCR and the internal view of capital as determined by the ORSA. The intention is for capital requirements to be met in both the immediate and medium-term future.

While EICL's ORSA process is carried out formally on an annual basis, the capital requirements and own funds to meet these requirements are considered at least quarterly as part of the quarterly regulatory reporting process. The Board discusses EICL's capital position at all meetings as part of its risk management processes and monitors ongoing performance through monthly management accounts.

There have been no changes in capital management policies or processes during the period.

E.1.1.2 Time Horizon for Business Planning and Material Changes

EICL's business planning period for capital management encompasses a three year time horizon, with emphasis on the current and next year. Given the unpredictability and historic volatility of the UK motor market, a longer time horizon would not be realistic. There have been no changes in the planning time horizon over the year.

E.1.2 Description of Own Funds

E.1.2.1 Structure, Amount and Quality of own funds

EICL currently only has basic own funds and no ancillary own funds. Own funds are comprised entirely of Share Capital and the Reconciliation Reserve and therefore all qualify as Tier 1 funds. The table below set out EICL's own funds as at 31 December 2022:

	Share Capital £'000	Reconciliation reserve £'000	Total Eligible Own Funds £'000
At 1 January 2021	7,500	(850)	6,650
Share capital issue	5,000	-	5,000
Movement in the reconciliation reserve	-	(194)	(194)
At 31 December 2021	12,500	(1,044)	11,456
Movement in the reconciliation reserve	-	2,971	2,971
At 31 December 2022	12,500	1,927	14,427



EICL's Reconciliation Reserve effectively represents retained earnings on a Solvency II valuation basis. There are no foreseeable dividends.

E.1.2.2 Terms and Conditions of Own Funds

EICL's own funds are fully comprised of Tier 1 funds and have no terms or conditions attached and there are no restrictions affecting the availability and transferability of EICL's Own funds. The own funds are not redeemable and do not carry any guaranteed dividend or other return.

E.1.2.3 Difference in Own Funds between Financial Statements and Solvency II Valuation

The difference in the valuation of own funds as shown in the Financial Statements compared to the Solvency II valuation is due to the valuation differences in the underlying assets and liabilities, as set out in the table below:

	2022	2021
	Own Funds £'000	Own Funds £'000
Own Funds per Financial statements	11,612	11,574
Move to Actuarial Best estimate	2,595	561
Increase in profit commission	1,024	-
Earned expense adjustment	(424)	(357)
Unearned expense adjustment	(424)	(357)
UPR profit excluding unearned expenses	181	45
BBNI	204	56
Reinsurance bad debt	(2)	(1)
Discount	259	45
Risk margin	(196)	(110)
Deferred tax liability	(402)	-
Own Funds per Solvency II valuation	14,427	11,456

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR

EICL's SCR and MCR coverage is set out below:

	2022	2021
	Own Funds £'000	Own Funds £'000
Own Funds	14,427	11,456
Solvency Capital Requirement	5,153	3,563
SCR coverage	280%	322%
Minimum Capital Requirement	3,186	3,126
MCR Coverage	453%	366%

All capital is Tier 1 and therefore fully eligible to cover the SCR and MCR.



In accordance with the Solvency II standard formula a firm's SCR Non-Life underwriting risk is predominantly a function of firm's volume measure for premium and reserve risk. Such volume measures are determined by taking the higher of the premium and reserve risk volume for the previous 12 months or following 12 months as at the calculation date. Such volume measures are the amounts net of reinsurance.

As at 31 December 2022, EICL complied with both its SCR and its MCR.

E.2.2 SCR by Risk Module

The following table sets out EICL's SCR broken down by risk module:

SCR Risk Category	2022 £'000	2021 £'000
Market Risk	2,267	26
Counterparty Risk	1,344	1,217
Non-Life Underwriting Risk	2,297	1,913
Diversification	(1,499)	(415)
Basic Solvency capital requirement	4,409	2,741
Operational Risk	744	822
Solvency Capital Requirement	5,153	3,563

E.2.3 Simplifications

No simplified calculations have been used in applying the standard model and no undertaking specific parameters have been used.

E.2.4 Inputs used to Calculate the MCR

The following inputs have been used to calculate EICL's MCR:

2022	Net (of reinsurance) best estimate technical provision £'000	Net (of reinsurance) written premiums in the last 12 months £'000
Motor Vehicle Liability	3,722	4,023
Motor vehicle other	77	82
		£'000
Linear MCR		700
SCR		5,153
MCR Cap		2,319
MCR floor		1,288
Combined MCR		1,288
Absolute floor of the MCR		3,186
Minimum Capital Requirement		3,186



2021	Net (of reinsurance) best estimate technical provision £'000	Net (of reinsurance) written premiums in the last 12 months £'000
Motor Vehicle Liability	2,555	3,150
Motor vehicle other	284	350
		£'000
Linear MCR		561
SCR		3,563
MCR cap		1,603
MCR floor		891
Combined MCR		891
Absolute floor of the MCR		3,126
Minimum Capital Requirement		3,126

E.2.5 Changes over the Period

There have been no other material changes to EICL's SCR or MCR during the period, other than can be observed from this report as a result of growth in business.

E.3 Non-Compliance with Minimum Capital Requirement or Solvency Capital Requirement

There have been no instances of non-compliance of the SCR or MCR during 2022.

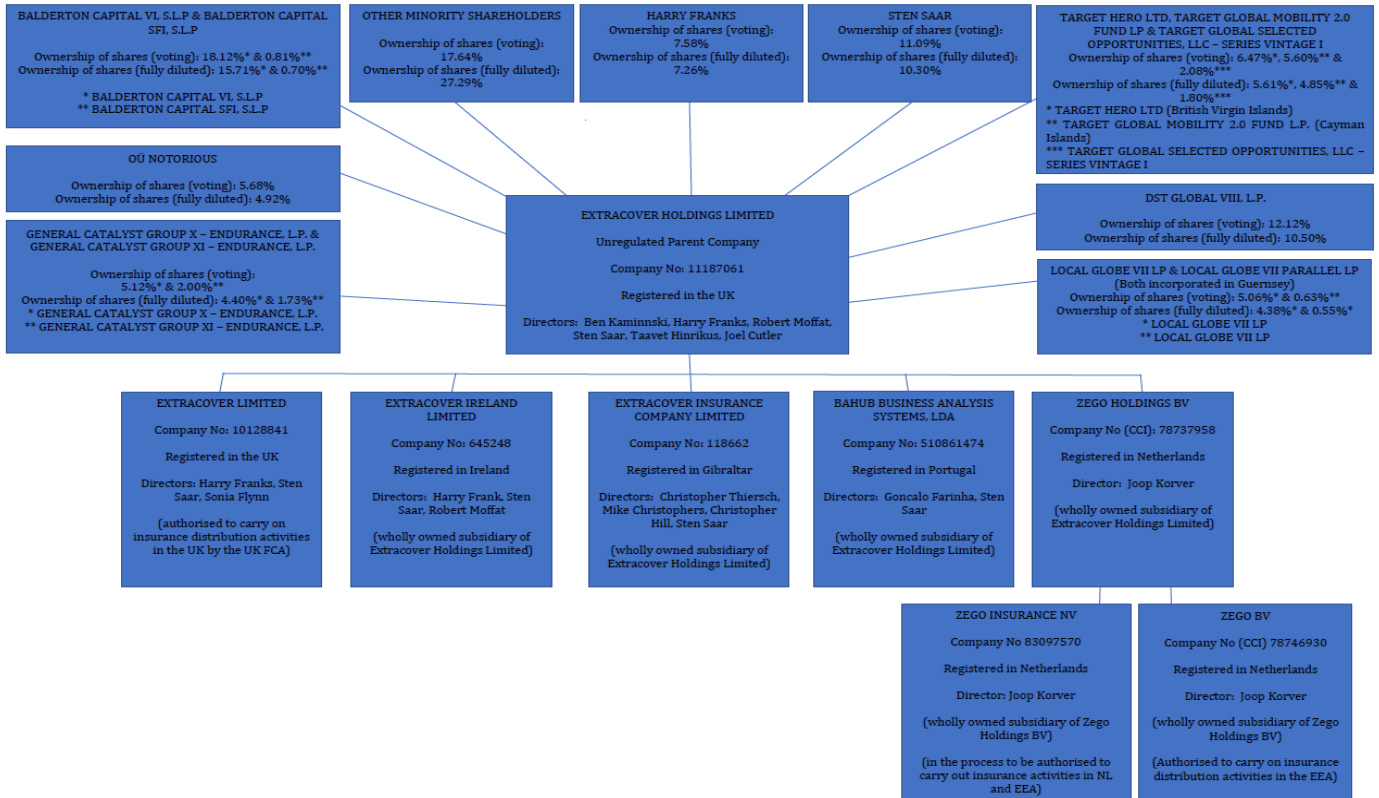
APPENDICES FROM THIS POINT INCLUDING:

- Group Structure Chart
- S2 balance sheet
 - S05.01.02
 - S17.01.02
 - S19.01.02
 - S23.01.01
 - S25.01.02
 - S28.01.01

Appendix I: Group Structure Chart

January 2023

EXTRACOVER HOLDINGS LIMITED – GROUP STRUCTURE



Appendix II: Quantitative Reporting Templates

Annex I

S.02.01.02

Balance sheet

Assets

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Equities - unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life
Life excluding health and index-linked and unit-linked
Life index-linked and unit-linked
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Own shares (held directly)
Amounts due in respect of own fund items or initial fund called up but not yet
Cash and cash equivalents
Any other assets, not elsewhere shown
Total assets

	Solvency II value
	C0010
R0030	
R0040	
R0050	
R0060	
R0070	11,104
R0080	
R0090	
R0100	
R0110	
R0120	
R0130	
R0140	
R0150	
R0160	
R0170	
R0180	
R0190	
R0200	11,104
R0210	
R0220	
R0230	
R0240	
R0250	
R0260	
R0270	16,187
R0280	16,187
R0290	16,187
R0300	
R0310	
R0320	
R0330	
R0340	
R0350	
R0360	
R0370	1,025
R0380	
R0390	
R0400	
R0410	9,162
R0420	225
R0500	37,702

Liabilities

Technical provisions – non-life
Technical provisions – non-life (excluding health)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - health (similar to non-life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - life (excluding index-linked and unit-linked)
Technical provisions - health (similar to life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – life (excluding health and index-linked and unit-linked)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – index-linked and unit-linked
TP calculated as a whole
Best Estimate
Risk margin
Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in BOF
Subordinated liabilities in BOF
Any other liabilities, not elsewhere shown
Total liabilities
Excess of assets over liabilities

	Solvency II value
	C0010
R0510	20,182
R0520	20,182
R0530	
R0540	19,986
R0550	196
R0560	
R0570	
R0580	
R0590	
R0600	
R0610	
R0620	
R0630	
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	
R0780	402
R0790	
R0800	
R0810	
R0820	
R0830	
R0840	2,691
R0850	
R0860	
R0870	
R0880	
R0900	23,275
R1000	14,427

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
Premiums written									
Gross - Direct Business	R0110				24,677	504			
Gross - Proportional reinsurance accepted	R0120								
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140				20,654	422			
Net	R0200				4,023	82			
Premiums earned									
Gross - Direct Business	R0210				24,301	496			
Gross - Proportional reinsurance accepted	R0220								
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240				20,353	415			
Net	R0300				3,948	81			
Claims incurred									
Gross - Direct Business	R0310				17,666	361			
Gross - Proportional reinsurance accepted	R0320								
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340				14,328	292			
Net	R0400				3,338	68			
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Proportional reinsurance accepted	R0420								
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers'share	R0440								
Net	R0500								
Expenses incurred	R0550				-102	-2			
Other expenses	R1200								
Total expenses	R1300								

Annex I

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance				Line of business for:				Total
		Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written										
Gross - Direct Business	R0110									25,181
Gross - Proportional reinsurance accepted	R0120									
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140									21,076
Net	R0200									4,105
Premiums earned										
Gross - Direct Business	R0210									24,797
Gross - Proportional reinsurance accepted	R0220									
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240									20,768
Net	R0300									4,029
Claims incurred										
Gross - Direct Business	R0310									18,026
Gross - Proportional reinsurance accepted	R0320									
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340									14,621
Net	R0400									3,406
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Proportional reinsurance accepted	R0420									
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers'share	R0440									
Net	R0500									
Expenses incurred	R0550									-104
Other expenses	R1200									863
Total expenses	R1300									759

Annex I

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		25,181					25,181
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140		21,076					21,076
Net	R0200		4,105					4,105
Premiums earned								
Gross - Direct Business	R0210		24,797					24,797
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240		20,768					20,768
Net	R0300		4,029					4,029
Claims incurred								
Gross - Direct Business	R0310		18,026					18,026
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340		14,621					14,621
Net	R0400		3,406					3,406
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers'share	R0440							
Net	R0500							
Expenses incurred	R0550		-104					-104
Other expenses	R1200							863
Total expenses	R1300							759

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S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
Premiums earned								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
Claims incurred								
Gross	R1610							
Reinsurers' share	R1620							
Net	R1700							
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900							
Other expenses	R2500							
Total expenses	R2600							

Annex I

S.17.01.02

Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

	Direct business and accepted proportional reinsurance							
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
R0010								
R0050								
R0060				-311	0			
R0140				-757	-11			
R0150				446	11			
R0160				19,892	406			
R0240				16,616	339			
R0250				3,276	67			
R0260				19,581	406			
R0270				3,722	77			
R0280				192	4			
R0290								
R0300								
R0310								
R0320				19,773	409			
R0330				15,859	328			
R0340				3,914	81			

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S.17.01.02

Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance				Accepted non-proportional reinsurance				Total Non-Life obligation
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	
C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010								
R0050								
R0060								-311
R0140								-768
R0150								457
R0160								20,298
R0240								16,955
R0250								3,342
R0260								19,986
R0270								3,800
R0280								196
R0290								
R0300								
R0310								
R0320								20,182
R0330								16,187
R0340								3,995

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S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year /
Underwriting year

Z0020	Underwriting year [UWY]
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Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year											In Current year	Sum of years (cumulative)
	C0010	1 C0020	2 C0030	3 C0040	4 C0050	5 C0060	6 C0070	7 C0080	8 C0090	9 C0100	10 & + C0110	C0170	C0180
Prior	R0100											R0100	
2013	R0160											R0160	
2014	R0170											R0170	
2015	R0180											R0180	
2016	R0190											R0190	
2017	R0200											R0200	
2018	R0210											R0210	
2019	R0220											R0220	
2020	R0230	590	2,397	1,346								R0230	1,346
2021	R0240	1,169	2,138									R0240	2,138
2022	R0250	858										R0250	858
Total												R0260	4,341
													8,497

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Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year	Development year											Year end (discounted data) C0360
	C0200	1 C0210	2 C0220	3 C0230	4 C0240	5 C0250	6 C0260	7 C0270	8 C0280	9 C0290	10 & + C0300	
Prior	R0100											R0100
2013	R0160											R0160
2014	R0170											R0170
2015	R0180											R0180
2016	R0190											R0190
2017	R0200											R0200
2018	R0210											R0210
2019	R0220											R0220
2020	R0230	3,975	3,941	2,025								R0230
2021	R0240	7,096	8,674									R0240
2022	R0250	10,563										R0250
Total												R0260

Annex I
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 (EU) 2015/35

Ordinary share capital (gross of own shares)
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
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

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

Total ancillary own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	12,500	12,500			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	1,927	1,927			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	14,427	14,427			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					

Annex I

S.23.01.01

Own funds

Available and eligible own funds

- Total available own funds to meet the SCR
- Total available own funds to meet the MCR
- Total eligible own funds to meet the SCR
- Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

- Excess of assets over liabilities
- Own shares (held directly and indirectly)
- Foreseeable dividends, distributions and charges
- Other basic own fund items
- Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

- Expected profits included in future premiums (EPIFP) - Life business
- Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0500	14,427	14,427			
R0510	14,427	14,427			
R0540	14,427	14,427			
R0550	14,427	14,427			
R0580	5,153				
R0600	3,186				
R0620	279.98%				
R0640	452.79%				

	C0060	
R0700	14,427	
R0710		
R0720		
R0730	12,500	
R0740		
R0760	1,927	
R0770		
R0780	376	
R0790	376	

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

LAC DT

LAC DT justified by reversion of deferred tax liabilities

LAC DT justified by reference to probable future taxable economic profit

LAC DT justified by carry back, current year

LAC DT justified by carry back, future years

Maximum LAC DT

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010	2,267		
R0020	1,344		
R0030			
R0040			
R0050	2,297		
R0060	-1,499		
R0070			
R0100	4,409		

	C0100
R0130	744
R0140	
R0150	
R0160	
R0200	5,153
R0210	
R0220	5,153
R0400	
R0410	
R0420	
R0430	
R0440	

	Yes/No
	C0109
R0590	3 - Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)

	LAC DT
	C0130
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	

Annex I

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

MCR _{NL} Result	C0010		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	R0010	707		
			C0020	C0030
Medical expense insurance and proportional reinsurance	R0020			
Income protection insurance and proportional reinsurance	R0030			
Workers' compensation insurance and proportional reinsurance	R0040			
Motor vehicle liability insurance and proportional reinsurance	R0050		3,722	4,023
Other motor insurance and proportional reinsurance	R0060		77	82
Marine, aviation and transport insurance and proportional reinsurance	R0070			
Fire and other damage to property insurance and proportional reinsurance	R0080			
General liability insurance and proportional reinsurance	R0090			
Credit and suretyship insurance and proportional reinsurance	R0100			
Legal expenses insurance and proportional reinsurance	R0110			
Assistance and proportional reinsurance	R0120			
Miscellaneous financial loss insurance and proportional reinsurance	R0130			
Non-proportional health reinsurance	R0140			
Non-proportional casualty reinsurance	R0150			
Non-proportional marine, aviation and transport reinsurance	R0160			
Non-proportional property reinsurance	R0170			

Linear formula component for life insurance and reinsurance obligations

MCR _L Result	C0040		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	R0200			
			C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210			
Obligations with profit participation - future discretionary benefits	R0220			
Index-linked and unit-linked insurance obligations	R0230			
Other life (re)insurance and health (re)insurance obligations	R0240			
Total capital at risk for all life (re)insurance obligations	R0250			

Overall MCR calculation

	C0070	
Linear MCR	R0300	707
SCR	R0310	5,153
MCR cap	R0320	2,319
MCR floor	R0330	1,288
Combined MCR	R0340	1,288
Absolute floor of the MCR	R0350	3,186
	C0070	
Minimum Capital Requirement	R0400	3,186