SALVATION ARMY GENERAL INSURANCE COMPANY

Solvency and Financial Condition Report

31 March 2018

SAGIC
Insurance that changes lives

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EXECUTIVE SUMMARY

This report has been prepared in accordance with statutes relating to supervisory reporting and public disclosure as set out in Articles 35 and 51-56 of Directive 2009/138/EC of the European Parliament and of the Council. It aims to provide the regulator, the policyholders and the general public with an understanding of the solvency and financial position of Salvation Army General Insurance Company ("SAGIC") under Solvency II. It also provides a high level summary of the inherent risk profile of the business and the governance and risk management framework embedded within the organisation to manage the risk.

The company's principal activity is the underwriting of insurance risks associated with commercial properties owned by The Salvation Army Trustee Company ("TSA-UK"). SAGIC also underwrites buildings, contents and liability insurance for employees of TSA-UK and other private policy holders.

As at 31 March 2018, the company met its Solvency Capital Requirement (SCR) and its Minimum Capital Requirement (MCR) comfortably. SAGIC's **Total Own Funds ("OF")** which represents its excess of assets over liabilities on a Solvency II basis is **£4,569k**. SAGIC's **SCR (after diversification) is £3,844k**, resulting in a **surplus of OF over SCR of £725k**. The company therefore has a **SCR coverage ratio of 119%**. SAGIC'S **MCR is £3,251k**, resulting in **surplus of over MCR of £1,314k** and an **MCR coverage ratio of 140%**.

99% of SAGIC's Own Funds are held in Tier 1 capital.

The results above evidence that SAGIC has sufficient own funds to support its current and future business strategy and its inherent risk profile.

A. BUSINESS AND PERFORMANCE

A1. BUSINESS AND EXTERNAL ENVIRONMENT

SAGIC is a wholly owned insurance subsidiary of the TSA-UK, a UK registered charity. It is based in London, registered in the UK with Companies House as company no. 101071 and is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) (FRN: 202327).

SAGIC has traditionally underwritten insurance risks associated with commercial properties owned by the TSA-UK as well as buildings and contents insurance for employees of TSA-UK only. In recent years, however, it has broadened its market base by extending cover to members of the general population as well.

Cover

SAGIC provides insurance against the following risks:

- Salvation Army owned property;
- Household and rental property ;
- Commercial business / charity insurance;
- Mobility scooter insurance;
- Home emergency covers;
- Personal and commercial liability

Policyholders

Majority of SAGIC's policyholders are based in the United Kingdom but there are some Salvation Army properties in Europe that are on SAGIC's books. The insurance policies are 12-month contracts which renew throughout the course of the accounting year. However, the entire TSA-UK commercial property portfolio of insurance policies renew together in April every year.

Employees

SAGIC has thirteen employees who are engaged in the four areas of policy underwriting and administration of SA business; underwriting and administration of personal insurance; claims; and accounting and general administration.

Group Structure

SAGIC is an independent wholly owned (100%) insurance subsidiary of TSA-UK. It is regulated by the PRA and the FCA.TSA-UK, on the other hand, is a UK registered charity, regulated by the Charity Commission for England and Wales. SAGIC operates independently of TSA-UK with limited operational and strategic interference from the parent. Two of the main board directors of TSA-UK also sit on the Board of SAGIC, one of whom is the company Chairman.

A2. OBJECTIVES AND STRATEGIES

SAGIC's business strategy is outlined in its business plan for 2018-2020, which has been approved by the SAGIC Board on 30 October 2018 and is summarised below:

- continue to provide insurance to TSA-UK and its employees at an affordable price,
- generate business growth through an aggressive expansion of revenue base outside of core TSA-UK assets and employees without compromising on sound underwriting guidelines,
- continue to invest in systems and capabilities to support a growing business, and
- continue to support TSA-UK with gift aid contributions to further their mission of serving suffering humanity.

A3. PERFORMANCE FROM UNDERWRITING ACTIVITIES (TECHNICAL ACCOUNT)

The underwriting performance of SAGIC is summarised below:

		2018 (GBP)		2017 (restated) (GBP)
Premiums				
Gross premiums written	13,207,482		9,293,524	
Outward reinsurance premiums	(4,405,842)		(3,784,341)	
		8,801,640		5,509,183
Change in the gross provision for unearned premiums	(1,994,148)		(603,442)	
Change in the provision for unearned premiums, reinsurers' share	447,012		328,824	
Net change in the provision for Unearned premiums		(1,547,136)		(274,618)
Earned premiums, net of Reinsurance		**7,254,504**		**5,234,565**
Allocated investment return transferred from the non-technical account		138,381		97,415
Claims				
Claims paid				
- gross amount	(4,501,116)		(3,439,820)	
- reinsurers' share	1,623,484		1,728,344	
	(2,877,632)		(1,711,476)	
Change in the provision for claims				
- gross amount	(1,161,898)		512,075	
- reinsurers' share	798,009		(1,263,878)	
	(363,889)		(751,803)	
Claims incurred, net of reinsurance		(3,241,521)		(2,463,279)
Net operating expenses		(3,234,479)		(1,951,984)
Change in the equalisation provision				369,808
Balance on the technical account for general business		**916,885**		**1,286,525**

SAGIC's underwriting profit for year end 2018 was just under a £1m which implied an year on year reduction in profits of 29%. The drop in underwriting profits was a direct consequence of higher claims experience and higher commission payments. Acquisition costs rose by 46% year-on-year contributing to an increase of £0.8m in net operating expenses compared to 2017. SAGIC's management are in the process of implementing key initiatives to reduce brokerage payments and increase premium retention in the future. The Risk and Actuarial Committee were proactive in identifying the issue and making appropriate recommendations informing the resolution plan. The movement in the provision for unearned premiums was primarily a result of the inception dates of contracts pertaining to the new business underwritten.

A4. PERFORMANCE FROM INVESTMENT AND OTHER ACTIVITIES (NON-TECHNICAL)

	2018	2017 (restated)
	(GBP)	(GBP)
Balance on the general business technical account	**916,885**	**1,286,525**
Investment income	89,246	154,774
Unrealised profit/(loss) on investments	(127,442)	176,688
Investment expenses and charges	(28,672)	(38,069)
Allocated investment return transferred to the general business technical account	(138,381)	(97,415)
	711,636	1,482,503
Gift Aid payment to The Salvation Army Trust	(944,777)	(583,009)
Profit on ordinary activities before tax	(233,141)	899,494
Tax on profit on ordinary activities	(50,073)	(48,844)
Profit on ordinary activities after tax	(283,214)	**850,650**
Total comprehensive income	(283,214)	**850,650**

SAGIC's business performance from investment and other activities is summarised as follows:

- investment income reduced by £66k for year end 2018 signifying a drop of 42% year on year; resulting from a reduction in investment income and losses incurred on realisation of investments
- unrealised losses on investment portfolio was £127k, driven primarily by a sluggish UK equity market
- gift aid to parent TSA-UK increased by 62% year on year
- losses after tax were £283k for year end 2018 signifying a decrease of £1.13m year on year

SAGIC's accounting losses of £283k for the YE 2018 are slightly artificial in nature and primarily a direct consequence of its gift aid commitment to its parent TSA-UK. In effect, for the YE 2018, SAGIC made an overall pre-tax profit of £712k, not accounting for the £945k gift aid payment. As a result, SAGIC management and Board are currently in the process of reviewing its gift commitment to the parent TSA-UK in 2019 with an objective of reducing the amount of profit transfer over the next 2-3 years to support its business operations.

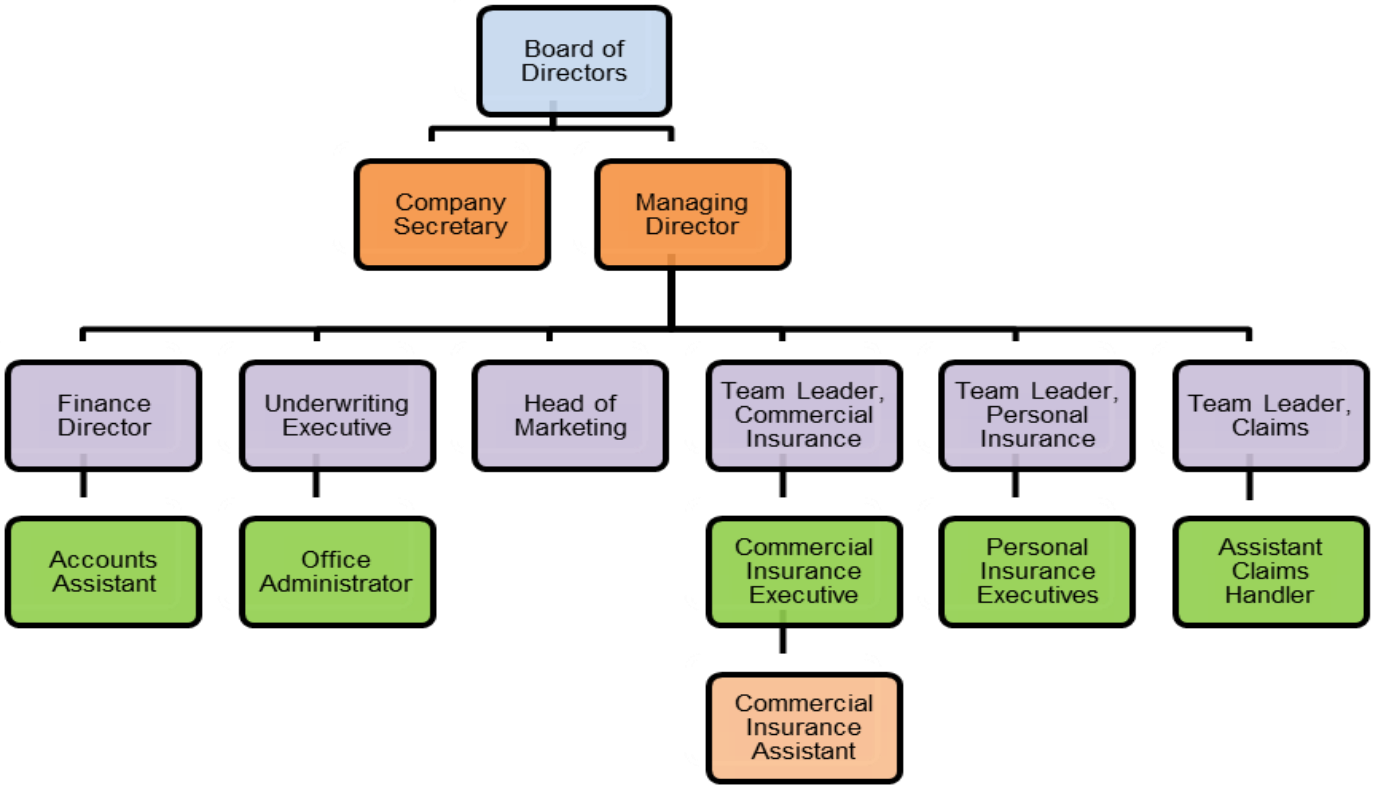
B. SYSTEM OF GOVERNANCE

B1. GENERAL GOVERNANCE ARRANGEMENTS

SAGIC's System of Governance is designed to meet the relevant regulatory requirements and good industry practice governance in a proportionate manner reflecting the scale of its operations and includes:

- An adequate and transparent organisational structure, with clear allocation and segregation of responsibilities, which enables effective transmission of information.
- Corporate policies defining key principles and rules for operation.
- Operating procedures detailing the activities and controls that individuals and service providers are expected to perform.
- A regular effectiveness review of the system of governance.

The SAGIC organisational structure is illustrated below:



The Board is ultimately accountable for all of SAGIC's activities. The Board's responsibilities are documented in its Corporate Charter and are shown in Appendix 1.

Committee Structure
The Board is supported by the following committees:

Risk, Actuarial, Audit & Compliance Committee ("RAAC"): The purpose of the RAAC is to oversee and provide independent challenge to the firm's risk management, actuarial, audit and compliance functions and satisfy itself that adequate internal systems of control are in place and operating effectively and is responsible for overseeing and challenging the firm's risk management and capital management activities.

Investment Advisory Committee ("IAC"): The purpose of the IAC is to advise The Salvation Army Trustee Company ("SATCO") and constituent funds on their investments. It formulates long term investment strategies and provides investment managers with suitable benchmarks and objectives that match those strategies. It also monitors and evaluates the performance of the investment managers against their given benchmarks and objectives on a regular basis; in addition to acting as a control against the underlying risks.

Remuneration Committee ("RemCo"): The RemCo is responsible for reviewing and making recommendations to the Board regarding the remuneration policy of SAGIC, and for reviewing compliance with the policy insofar as it relates to the company Chairman, Executive Directors and senior managers. Within the context of the policy, the committee is specifically responsible for making recommendations on the remuneration and incentive packages of the Managing Director and the Financial Director of SAGIC as well as review the remuneration approach for any such individuals who would be subject to increased regulatory scrutiny.

Operations and Underwriting Committee ("OUC"): The purpose of the Committee is to review and evaluate SAGIC's policies, guidelines, performance, risk management, processes and procedures relating to its general operations and specifically to the underwriting of insurance and reinsurance risks undertaken by SAGIC.

Gift Aid Donation
To realise its mission of providing *"insurance that changes lives"* SAGIC has committed a proportion of its annual financial profits to the TSA-UK as support for their ongoing charity endeavours in the UK and worldwide. A minimum annual amount of £350k has been pledged by the SAGIC Board to TSA-UK as Gift Aid Donation. The amount donated in 2017-18 was £945k. This distribution to the TSA-UK is however contingent on SAGIC's annual financial performance and subject to Board approval.

B2. FIT AND PROPER REQUIREMENTS

SAGIC has put in place a Fit and Proper Person Policy designed with the primary objective of ensuring the persons who effectively run SAGIC or who have other key functions are "fit" and take account of the respective duties allocated to individuals to ensure that there is an appropriate diversity of qualifications, knowledge and experience to ensure that SAGIC is managed and overseen in a professional manner.

The objectives of this Policy are also to:

- define the minimum standards for determining the fitness and propriety of individuals as a "Fit and Proper Person" to serve in their respective position as a "Person of Responsibility" within the Company;
- for Directors and other persons of responsibility, in addition to determining the fitness and propriety of individuals, to provide for an objective framework and criteria to be set from time to time which promotes the election or appointment of a person with suitable knowledge, qualifications, competencies, skill and experience which complement and improve:
    - the existing collective capacity of the Board;
    - the Board's succession plans and development intentions;
    - strengthen the governance framework within the Company; and
    - promote confidence in the Company and its officers.

In accordance with Article 42 of Solvency II, SAGIC has ensured that the members of the administrative, management or supervisory body collectively possess at least qualification, experience and knowledge about:

- insurance and financial markets;
- business strategy and business model;
- system of governance;

- financial analysis; and
- regulatory framework and requirements.

In accordance with Article 42 of Solvency II, in assessing whether a person is 'proper', SAGIC has included an assessment of that person's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour and business conduct including any criminal, financial or supervisory aspects regardless of location. The period of limitation of the committed offence is judged based on English law.

B3. RISK MANAGEMENT SYSTEM ("RMS")

SAGIC has an embedded Risk Management System that is designed to assess, control and monitor risks from all sources for the purpose of increasing short and long-term value to SAGIC's stakeholders.

The SAGIC Board utilises a "Three Lines of Defence" model for risk governance with formally defined roles and responsibilities.

First Line of Defence ("1LOD")

The 1LOD are those individuals undertaking any activity or making decisions on behalf of SAGIC who are responsible for managing the risk that is attached to that activity. Claims handling and the Finance Function are considered the 'first risk managers'.

It is an essential part of SAGIC's risk policy that all managers view the management of risk and compliance with the procedures as an integral part of managing their business areas.

Central to this each manager must:

- Comply with this and other relevant risk policies;
- Identify and evaluate the risks faced by their business function only taking those risks which are in line with the Board's expectations as defined in business plans, guidelines and policies;
- Implement and operate appropriate controls in accordance with guidelines and minimum standards;
- Embed risk management responsibilities within individuals' job descriptions and performance metrics; and
- Respond pro-actively to guidance issued and/or requests made by the 2LOD and 3LOD, and act in an open and cooperative manner; promptly disclosing to them anything that they would reasonably expect to be interested in.

Second Line of Defence ("2LOD")

The 2LOD functions are responsible for the provision of the risk management framework and policies within which the 1LOD is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework.

The 2LOD consists of those Committees, Functions and Individuals responsible for supporting the Board in the design, operation and oversight of the RMS. Being the Risk Management Function, Actuarial Function and Compliance Function. The Chairs of the above Committees are charged with verbal or formal reporting of the decisions and recommendations of their respective committees at Board meetings.

Third Line of Defence ("3LOD")

Oversight of the 1LOD and 2LOD by the Board together with the Committees, Functions and Individuals responsible for providing independent assurance to the Board, specifically the Audit & Risk Committee (RAAC), Internal Audit and External Audit.

The Boards responsibilities in relation to SAGIC's RMS are:

- Approval and effective oversight of the RMS including all current and future risk exposures, risk appetite and tolerances;
- Proactive response to risk issues; and
- Promoting a risk aware culture.

The RAAC is an independent committee that has specific oversight responsibilities for operational risk and the Internal Control System ("ICS) and its specific responsibilities in relation to the SAGIC's RMS is provided below:

- Oversight and advice to the Board on current and future potential risk exposures for all risk categories, including determination of risk appetite and tolerances;
- Provide advice on and support in implementation of the RMS and risk information;
- Promoting a risk aware culture; and
- Report to the SAGIC Board on risk issues and recommendations.

The Board provide guidance and oversight on all business decisions.

Risk Profile, Appetite and Tolerance

SAGIC defines its risk appetite as the amount of risk the Board is prepared to take in pursuit of its strategic objectives. The risk appetite as set by the Board is driven by the objectives of SAGIC key stakeholders, which include members and regulators.

The Board sets the risk appetite and tolerance limits by reviewing the ORSA results and approving policies covering the main risk categories. These policies include quantitative and qualitative statements that will govern underwriting, investment, data control and management, operational procedures, credit management amongst others.

SAGIC has a relatively low risk appetite overall as is indicated by the following strategic decisions (by risk type) approved by the Board:

- external reinsurance with highly rated reinsurers (A or better by S&P) which ensures low counterparty default risk;
- the risks covered are relatively short-tail in nature, with 90% of claims settled within 12 months, which reflects the Board's low appetite for reserve risk;
- investments comprise of fixed rate bonds denominated in GBP £. SAGIC has no exposure to currency risk. They are relatively short-term and rated A or above. Therefore, exposure to market risk (liquidity, credit and interest rate risks) is significantly limited.

Risk Profile, Appetite and Tolerance

- SAGIC has implemented a comprehensive Solvency II compliant risk management framework designed to identify, assess, control, monitor and report risks, both current and emerging, that may impact SAGIC from attaining its strategic objectives.
- SAGIC has implemented a risk register that is designed to identify and assess all material risks across business departments. Risks within the risk register have been aligned to Solvency II Standard Formula risk categories.
- The risk categories in the risk register include insurance risks (premium and reserve risks); market risks; counterparty default risks; operational risks; strategic risks; liquidity risks and compliance and legal risks.

Below is a summary of the key risks that have been identified in the risk register:

Risk ID	Risk Title	Category
OP02	Loss of key member of managers	Operational
OP08	Failure to recognise compliance culture	Operational
OP32	Failure to check data transfer to Surewise quotation system and adequately allocating responsibilities between SAGIC and Surewise in implementing and operating Surewise quotation system	Operational
MA04	Lack of diversification in investment portfolio (concentration risk)	Market
CL04	Failure to establish and maintain effective relationship and communication channels with relevant regulators	Compliance
ST11	Failure to set and maintain appropriate capital levels (Risk of over/under capitalisation)	Strategic
IN01	Failure to introduce & control new products	Insurance
IN03	Inadequate identification of current and emerging underwriting risks.	Insurance
IN09	Hard reinsurance market leading to non-viable reinsurance rates	Insurance

- The identified risks are rated according to a 5x5 matrix with impact (severity of loss) and likelihood (frequency of loss) scores assigned to the both raw and residual risks (see table).
- The impact and likelihood scores are multiplied together to generate a risk score for each identified risk. These resulting risk scores are used to rank the identified risks in order to assist the Board with the prioritisation of risk management and also to demonstrate their importance.
- The ranking of risk will be as follows:

Red risks - are risks with a score rating equal to or greater than 15;

Amber risks - are risks with a scores between 8 and 12; and,

Green risks - are risk scores equal to 6 and below

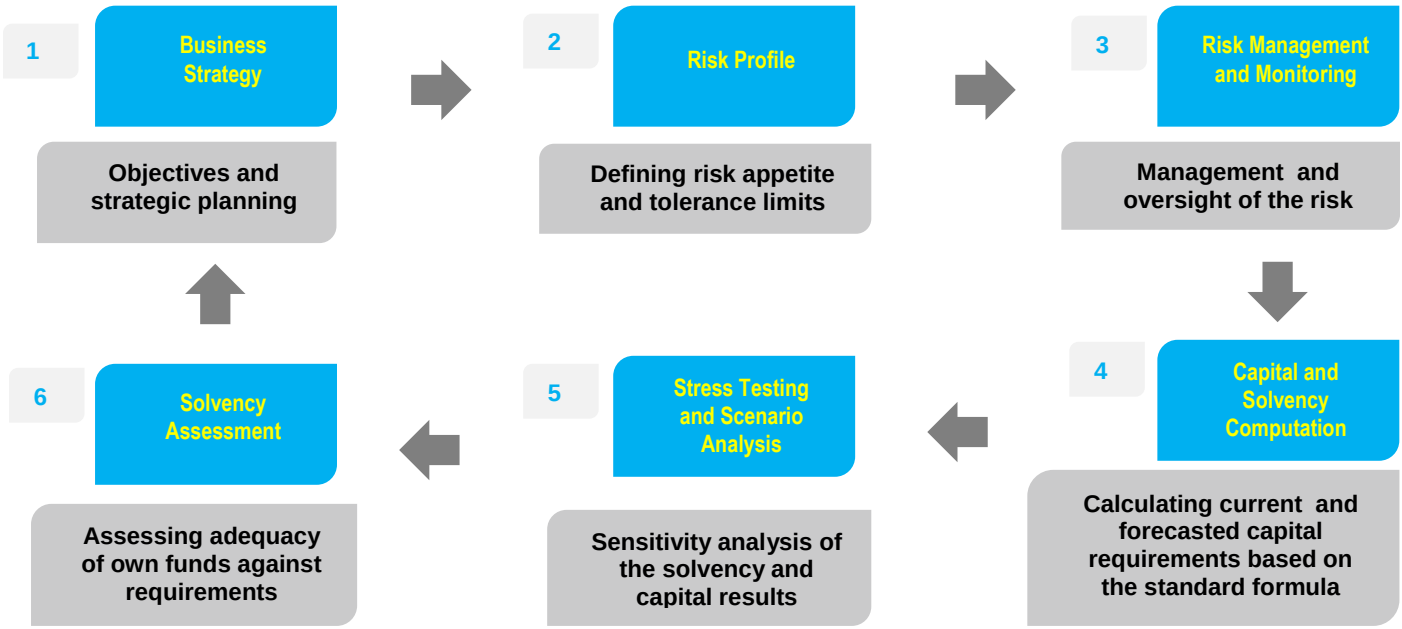
		Impact							
		1	2	3	4	5	Description	Frequency	Probability
Likelihood	5	5	10	15	20	25	Almost certain	Within the next 12 months	>0.80
	4	4	8	12	16	20	Likely	Within 1-2 years	Between 0.50 and 0.80
	3	3	6	9	12	15	Possible	Within 2-5 years	Between 0.20 and 0.50
	2	2	4	6	8	10	Unlikely	Within 5-10 years	Between 0.10 and 0.20
	1	1	2	3	4	5	Rare	Greater than 10 years	<0.10
	Financial Impact (Cost/Expense)	<£100k	£100-£200k	£200k-£500k	£500k-£1m	>£1m			

B4. ORSA PROCESS

The ORSA comprises the entirety of processes and procedures employed by SAGIC to assess, monitor, manage and report its current and future risks and to determine its own funds necessary to ensure that SAGIC's overall solvency needs are met at all times.

The ORSA process is being embedded to form an integral part of SAGIC's strategic process for managing its risks and resulting capital needs. The link between the risk profile, the risk appetite and overall solvency requirements is integral to SAGIC's ORSA as is illustrated in the process flow below:

The Salvation Army General Insurance Corporation ORSA Process



Under normal circumstances, SAGIC's ORSA assessment is carried out on an annual basis to compliment the SCR computation. The assessment provides the Board with an overview of the SAGIC's current risk profile and its implication to the capital and solvency requirement. The ORSA assessment also addresses how material events and emerging risks may potentially impact on the company's risk profile and solvency.

However if an isolated internal or external event, or a combination of events, impact a material change in SAGIC's overall risk profile then it will carry out its ORSA assessment as and when it is required in addition to the annual exercise.

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B5. INTERNAL CONTROL

The System of Internal Control plays a key role in the management of risks that are significant to fulfil SAGIC's objectives. The Board is responsible for the establishment of an Internal Control and Risk Management Framework through which to facilitate and provide reasonable assurance over the following:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with laws and regulations.

Ultimate accountability for ensuring that the firm has an adequate internal control framework rests with the SAGIC Board. Whilst the Board maintains oversight of the firm's internal control framework, it has delegated, to SAGIC's management and executive team, the responsibility for the day to day and operational management of the key elements, functions and processes that make up the firm's Internal Control Framework.

The SAGIC Board and Functions manage the key elements of its Internal Control Framework through the:

- Governance framework;
- Corporate policies;
- Operating procedures;
- Risk governance structure; and
- Risk register.

The Senior Insurance Management Function (SIMF) roles in SAGIC are held by the :

- Chairman
- Managing Director
- Finance Director
- Non-Executive Directors

B6. KEY INTERNAL CONTROL FUNCTIONS

The firm's key internal control functions are as follows:

- Compliance Function;
- Risk Management Function;
- Finance Function;
- Actuarial Function;
- External Audit Function; and
- Internal Audit Function.

Each of the above internal control functions report to the Board.

The above structure has been designed to provide SAGIC with a robust internal control framework that enables it to monitor on an on-going basis the appropriateness of its systems and controls, ensuring that they:

- support SAGIC's business strategy and objectives, and enable the firm to deliver value to stakeholders;
- enable the firm to operate successfully within its risk environment and in accordance with its risk appetite; and
- remain adequate to enable the firm to adhere to applicable regulatory and legislative requirements.

The structure of the internal control framework enables each of the internal control functions to provide support to, interact with and monitor, as appropriate, the firm's operational activities and systems and controls. This structure aims to embed throughout the firm the internal control functions, and to also promote ownership and accountability of internal control measures and issues within the business itself.

Each of the internal control functions is independent from any of the firm's operational functions, thus ensuring that they are able to undertake their activities in an un-biased and objective manner. Furthermore, whilst each of the control functions will interact with each other, they are considered as individually distinct functions in their own right, thus ensuring that they are provided with adequate focus and resources to undertake effectively their intended roles. Each of the internal control functions has unrestricted access to all individuals and records throughout the business so as to ensure that they are able to investigate and understand fully the firm's activities and performance.

Compliance Function

SAGIC's Managing Director (MD) is responsible for its Compliance Function. The Compliance Function reports to the Board. The Compliance Function's primary role is to act in an advisory, oversight and assurance capacity to ensure that the business has the necessary systems and controls to enable it to adhere, on an ongoing basis, to regulatory and legislative requirements.

Details of the Compliance Function responsibilities and procedures are described in the Compliance Plan which is developed on an annual basis. Examples of activities included in the Compliance Plan will include, regulatory reporting, training and workshops, compliance monitoring reviews and business monitoring reviews. The Compliance Plan is approved by the Board and progress is reported on a regular basis to the Board.

The Compliance Function's responsibility is to ensure that the Board and its service providers:

- are aware of applicable regulatory and legislative requirements;
- understand fully how regulatory and legislative requirements apply to the business; and
- have incorporated accurately and effectively regulatory and legislative requirements into company standards, policies and procedures.

In order to achieve the above, the Compliance Function:

- provides training and workshop sessions to relevant audiences in relation to regulatory and legislative requirements; and
- provides updates, as required, on any changes to regulatory and legislative requirements.

Where any regulatory breaches are identified, the Compliance Function notifies the Board.

The Company Secretary is responsible for maintaining the relationship between the firm and the relevant regulatory, supervisory and legislative bodies. The Company Secretary is also responsible for coordinating the firm's regulatory reporting activities.

Risk Management Function

The Risk Management Function is provided by the MD and the responsibilities are outsourced to Moore Stephens LLP.

The Risk Management Function reports to the RAAC, and is responsible for development, maintenance and operation of the Risk Management System (RMS). The RMS is fully defined in the Risk Policy.

The Risk Management Function provides regular Risk Management reports to the RAAC. The Risk Management Function includes information in its reporting that enables the RAAC to:

- monitor the firm's overall risk profile;
- monitor the on-going impact of the firm's risk and control environment on its business objectives;
- apply risk-based considerations to decision making processes;
- monitor the on-going performance and suitability of mitigating controls;
- monitor emerging issues and their impact on the business;
- understand progress and business commitment to addressing identified weakness and issues;
- monitor the on-going effectiveness of the Risk Management Function; and
- understand changes in regulatory or legislative requirements in relation to risk management.

The Risk Management Function liaises with and provides risk-related reports and information to the Compliance and Internal Audit Functions with a view to assisting in the development of risk-based assurance and monitoring plans. The Risk Management Function also liaises with the Compliance and Internal Audit Functions for the purposes of understanding any new emerging risks or control failures / inadequacies identified as a result of monitoring and assurance reviews.

A review of the Risk Management Function's effectiveness is conducted on a regular basis by the Internal Audit Function, as determined by the Board as deemed appropriate

Finance Function

SAGIC's accounting policies and procedures predominantly reside within the Finance Function. The Finance Function is provided by Finance Director ("FD") who provides an oversight function by receiving monthly reports on cash and investment balances, balance sheets, profit & loss accounts etc. The Finance Function has responsibility for ensuring that the firm has adequate financial systems and controls, for monitoring SAGIC's financial health, and to provide it with accurate and up to date financial performance information. It will also provide advice and commentary to the Board on all relevant material financial matters. The Finance Function reports to the Board.

The Finance Function is responsible for developing its own systems and controls to ensure the adequate management of SAGIC's financial risks and affairs, as well as ensuring the accurate reporting of financial information. However, the firm's other internal control functions are responsible for undertaking independent monitoring and assurance reviews to ensure the on-going suitability and effectiveness of the firm's financial systems and controls, as well contributing, both directly and indirectly, to determining the accuracy and reliability of the financial and non-financial information received by the Finance Function and the information subsequently disseminated internally and externally.

Actuarial Function

The FD is responsible for discharging the duties and responsibilities of the Actuarial Function, which include but extend beyond the duties and responsibilities of the Actuarial Function, as defined in the relevant legislation. The FD uses outsourced assistance from Moore Stephens LLP to comply with the technical requirements of the Actuarial Function.

The Actuarial Function is referred to as a control function to the extent that it undertakes many activities which strengthen the firm's Internal Control Framework, which enables management to undertake informed and risk-based decision-making processes (e.g. regulatory capital management and reporting, financial and non-financial data analysis and assessment, capital monitoring etc.).

The Actuarial Function is primarily responsible for the following:

- Performing reserve reviews to ensure adequate provisions are established for future claims activity;
- Monitoring actual vs. expected claim experience;
- Production, communication and embedding of Solvency Capital Requirement (SCR);
- Input to SAGIC's Business Plan;
- Providing support to the Board in setting SAGIC's risk appetite and ensuring that it complements SAGIC's business plans and objectives;
- Working with the Risk Management Function.

The specific responsibilities relating to the Actuarial Function are as follows.

- Co-ordinating the calculation of technical provisions;
- Ensuring appropriate methodologies and assumptions are used in technical provisions;
- Assessing the sufficiency and quality of data used in technical provisions;
- Comparing the best estimates against experience in technical provisions;
- Reporting on the reliability and adequacy of technical provisions;
- Overseeing technical provisions in cases where approximations might be required or a case-by-case approach needed;
- Expressing an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements; and
- Contributing to the effective implementation of the Risk Management System, in particular with respect to risk modelling for capital calculations for both SCR and ORSA purposes.

A review of the Actuarial Function's effectiveness is conducted by the Internal Audit Function as and when deemed necessary by the Board.

External Audit Function

The External Audit Function is responsible for undertaking the firm's statutory audits and reporting its findings to the Board. haysmacintyre Chartered Accountants, 10 Queen Street Place, London, EC4R 1AG are the external auditors to SAGIC.

Internal Audit Function

SAGIC's Internal Audit Function is currently being provided by its parent TSA-UK but will be outsourced fully to an external third party service provider. Currently TSA-UK is responsible for conducting all internal audit reviews with oversight and planning provided by the RAAC.

The Internal Audit Function reports directly to the RAAC. On this basis, the Internal Audit Function is considered independent from all other business functions and, therefore, is able to provide a truly objective opinion as to the adequacy of the internal

control framework. The RAAC provides oversight and challenge to the Internal Audit Function to satisfy itself that an adequate internal control system is in place and operating effectively.

The areas to be reviewed under the Internal Audit plan is determined based on the risks to the business, consistent with those detailed within the firm's Risk Register.

The Internal Audit plan is reviewed and approved by the RAAC on an annual basis. The Internal Audit Function is required to provide the RAAC with regular updates against the plan and submit detailed reports on completion of each internal audit review. The Internal Audit Function and/or the RAAC may, at its discretion, amend the Internal Audit Plan, where there have been significant changes to the firm's risk profile.

To develop each internal audit review report the Internal Audit Function is required to discuss and agree, with the relevant business areas, action points to address each issue, weakness or failure identified. The RAAC reviews all agreed actions and challenges the suitability of these as necessary.

Data Governance

The MD is responsible for the development and application of the governance framework for data. The data governance framework covers:

- Underwriting data, including associated management information; and
- Data used for technical provisions.

Any material issues with data quality, timeliness or availability are reported to the Board and/or RAAC.

Reporting

The internal control functions are responsible for undertaking monitoring activities and reviews to determine the accuracy and reliability of both financial and non-financial information being reported. Solvency II reporting has been outsourced to Moore Stephens LLP. A regular governance effectiveness review is also conducted periodically which evaluates the relevance and the appropriateness of information being supplied to and from the Board on an ongoing basis.

Further details as to the reporting responsibilities throughout the firm are included in SAGIC's policies and procedures.

Outsourcing

SAGIC's management is responsible, when relying on a third party provider, for the performance of functions which are critical for the performance of its regulated activities, on a continuous and satisfactory basis, ensuring that it takes reasonable steps to avoid undue additional operational risk. In exercising this responsibility external suppliers are used as and when appropriate to assist the company when it would not be efficient to utilise internal resources or where additional expertise is needed. Indeed in light of the small staff numbers at SAGIC outsourcing of certain activities is critical to enable it to manage its operations in an efficient and controlled manner.

Specifically, where SAGIC outsources critical or important functions, it remains fully responsible for discharging all of its obligations under the regulatory system and must comply, in particular, with the following conditions:

- the outsourcing must not result in the delegation by SAGIC's management or the Board of their responsibilities;
- the relationship and obligations of SAGIC towards its policyholders under the regulatory system must not be altered;
- a member of SAGIC's management team must take responsibility for the activities of the outsourced service provider;
- the conditions with which SAGIC must comply in order to be authorised, and to remain so, must not be undermined; and
- none of the other conditions subject to which SAGIC's authorisation was granted must be removed or modified.

Consequently, management will not undertake the outsourcing of important functions in such a way as to impair materially:

- the quality of its internal control (including ensuring that internal and external audit access to information is not inhibited); or
- the ability of the regulator (PRA and/or FCA) to monitor SAGIC's compliance with all obligations under the regulatory system.

The Board of SAGIC are informed of the appointment of any material outsourced provider in order that it can give consideration to whether the outsourced provision is well controlled. Directors will also assess the cost-benefit analysis and quality implications of any decision and will review the range of potential providers.

The results of the performance of outsourced service providers against service levels and/or expectations are monitored by the responsible individual appointed by the Board. Where material service levels are not met, the individual will report this to the Board with proposed specific steps and timescales for service levels to be restored based on the perceived risk of non-compliance.

Where material service levels cannot be restored, the outsourced service should be terminated with the associated services either passing to a different supplier or brought back in-house.

Any other information

SAGIC considers no other information material to be disclosed.

C. RISK MANAGEMENT

C1. UNDERWRITING RISK

Underwriting risk is the risk arising from insurance obligations in relation to the perils covered and the processes used in conducting business and includes uncertainty in the results related to existing insurance and reinsurance obligations.

Risk Exposure:

Risk Category	Mar-18 (A)*	2019 (P)*	2020 (P)*
Gross Written Premiums	13,207	15,910	18,762
Net Earned Premium	4,639	6,210	7,362
Technical Provisions (incl. Risk Margin)	5,329	5,380	4,559
Underwriting Risk	**2,865**	**3,015**	**3,120**

*A= Actual; P= Projected

Key Risks

- Unexpected increase in claims frequency or deterioration in reserves
- Inadequate identification of current and emerging underwriting risks
- Sustained soft market resulting in falling premium rates resulting in inadequate volume of business to support operations

Sensitivity

Scenario A: The 1 in 200 event (99.5% probability confidence interval) flood scenario affecting both private household and Salvation Army properties, based on RMS output is £4.3m after the surplus reinsurance. The Net loss for SAGIC, after the Excess of Loss, will be £0.475m which is less than the Total Available Own Funds (TAOF) of £4.6m. This means that SAGIC would remain solvent and will fully protect its policyholders.

Scenario B: The 1 in 200 event (99.5% probability confidence interval) Windstorm scenario affecting both private household and Salvation Army properties, based on RMS output is £10.8m after the surplus reinsurance. The Net loss for SAGIC, after the Excess of Loss, will be £0.475m which is more than adequately covered by the TAOF of £4.6m.

Controls

Due to the nature and scale of the reinsurance programme in place, the volatility of SAGIC's net insurance risk is relatively low. The relatively short tailed nature of its liabilities offer a predictable and stable book of reserves which when complemented with a conservative reinsurance programme render a risk profile commensurate with its risk appetite.

The main driver of SAGIC's Underwriting risk is the exposure to catastrophe risk. SAGIC has robust underwriting controls and a conservative reinsurance program to mitigate its exposure under catastrophe risk and align it to its risk appetite and strategic business plan.

Risk Appetite

The tolerance limits for Underwriting Risk are outlined in greater detail in SAGIC's Risk Appetite document. As at the date of this report there are no known breaches of underwriting risk tolerances and the business is expected to remain within appetite over the life of the business plan.

C2. MARKET RISK

Market risk is the risk of adverse financial impact on SAGIC's Net Asset Value ("NAV") as a consequence of volatility of market prices of financial instruments. SAGIC's market risk capital charge after diversification, as at 31 March 2018 was £0.7m representing 16% of its total SCR.

Risk Exposure

Assets *(in GBP £'000)*	**Equity**	**Corporate bonds**	**Deposits**
Market Value	**1,538**	**1,624**	**783**

Risk Capital

	Capital Requirement (in GBP £'000)
Interest Rate Risk	14
Equity Risk	586
Property Risk	-
Spread Risk	76
Concentration Risk	69
Currency Risk	-
Diversification Credit	**(89)**
Final SCR Market Risk	**656**

SAGIC's capital charge for aggregated market risk is GBP 0.7m.

Key Risks

The key drivers of SAGIC's market risk are spread, equity and concentration risks. SAGIC's asset portfolio contains a relatively conservative mix of bonds and equities. The asset and liability portfolio durations are also closely matched, thereby mitigating interest rate risk. An overview of each of the market risk components impacting SAGIC follows.

Interest Rate Risk

SAGIC's Interest Rate risk arises from the sensitivity of its assets and liabilities to changes in the term structure of interest rates; i.e. as a result of interest rate volatility. It has been calculated by applying upward and downward shocks to the interest rate curve prescribed under the Standard Formula and then measuring the impact to SAGIC's NAV.

SAGIC holds corporate bonds with an average asset duration (i.e. discounted mean term) of roughly 3.5 years. Approximately 98% of SAGIC's claims cash outflow occurs within two years rendering the average duration of its liabilities at approximately 1.8 years. Since the average duration of SAGIC's assets and liabilities are relatively closely matched, its exposure to interest rate risk is limited.

Sensitivity

The impact of an altered term structure as pre-defined under the Standard Formula (applying upward and downward shocks ranging between 20% and 70% at different maturity points) impacts SAGIC's NAV by only £15k which is not material.

This provides further evidence that the sensitivity of SAGIC's NAV to interest rate shocks is immaterial.

Equity risk

Equity risk arises from the level of volatility of market prices for equities.

The equities are classified into two categories:

- Type 1, which are those that are listed in regulated markets in countries which are members of the EEA or the OECD,
- Type 2, which are those that are listed in stock exchanges in countries which are not members of the EEA or the OECD or that are not listed.

SAGIC holds only Type 1 equities in its investment portfolio.

Sensitivity

A 40% reduction in the value of the equities held under SAGIC's investment portfolio would impact its NAV by approximately £380k reducing the Solvency ratio by approximately 8%.

Spread Risk

SAGIC holds just under £1m in corporate bonds rated A or better (S&P) that are exposed to spread risk.

Sensitivity

The impact of a spread shock (calibrated to a 1-in-200 year scenario following the widening of credit spreads) derived as a function of the rating and the duration of the corporate bonds held by SAGIC reduces its NAV by approximately £76k.

Concentration Risk

SAGIC's concentration risk arises from its exposures in single name counterparties from its bond and equity portfolios. As at 31 March 2018, a total of 29 single named entities with a net exposure at default value of £3.2m contribute to SAGIC's market concentration risk. More importantly, £3m of the stated exposure constitutes of assets rated BBB and above, thereby mitigating concentration risk.

Sensitivity

Using the Standard Formula parameters, the impact of an instantaneous decrease in value of the assets corresponding to its single named exposures would reduce SAGIC's NAV by approximately £69k. This is not material given SAGIC's capital buffer.

Market Risk Controls

- Assets and liabilities matched in terms of duration and currency and duration mismatching is not significant.
- Investment portfolio comprises of only Type 1 equities which are listed in regulated markets in countries that are members of the EEA or the OECD.
- Investment portfolio contains only corporate bonds rated BBB or above by rating agencies.

Risk Appetite

SAGIC's appetite for market risk is relatively low. The tolerance limits for Market Risk are detailed in SAGIC's Risk Appetite document. As at the date of this report there are no known breaches of market risk tolerances and the business is expected to remain within appetite over the life of the business plan.

C3. COUNTERPARTY DEFAULT RISK ("CDR")

The CDR reflects the risk of depletion of own funds arising due to unexpected default of deposit counterparties, such as banks, reinsurance companies and other debtors. It is calculated under the standard formula, based on the probability of default of counterparty and the expected loss given default.

SAGIC's CDR arises primarily from its cash at Bank. The majority of this amount is held in Santander Bank which is an A-rated entity. There are also some broker balances that are outstanding over 3 months which have an impact on SAGIC's CDR capital charge.

Risk Exposure

Assets as at 31st March 2018 (in GBP £'000)	**Deposits with credit institutions**	**Cash at bank and in hand**
Market Value	783	4,923

Risk Capital

SAGIC's CDR draws a capital charge of just under £0.7m which equates to 16% of its undiversified capital charge.

SAGIC has relatively high counterparty risk due to cash held in Reliance Bank (owned by The Salvation Army) which is financially strong but not publicly rated. However, the solvency ratio (available capital as percentage of total risk weighted assets) for Reliance Bank is 116% and as such SAGIC's counterparty risk is somewhat artificial. The Reliance Bank only holds Tier 1 capital.

Key Risks

The main drivers of the SAGIC's CDR are its cash balances in Santander, overdue broker balances and reinsurance receivables.

Sensitivity

Currently SAGIC has £3.6m in cash in Santander bank which is A-rated. If Santander is downgraded from its current rating to a BB rating. This would increase SAGIC's CDR SCR by £0.8m which would cause Solvency Ratio to drop to 91% - a reduction of approximately 20%.

Controls

It is not often in the current regulatory environment that an A-rated bank will suddenly drop two rating notches. However if it does happen management will take necessary mitigation which could involve moving part or all of the cash to a different bank. SAGIC implements the following controls to mitigates its CDR:

- Monthly reviews of broker balances
- Semi-annual asset allocation review
- Reinsurance counterparties rated A and above

Risk Appetite

SAGIC's tolerance thresholds for CDR is documented in greater detail in its Risk Appetite document. As at the date of this report there are no known breaches of CDR risk tolerances and the business is expected to remain within appetite over the life of the business plan.

SAGIC will review its policy of holding cash in Reliance Bank (SA owned) and will consider diverting cash holdings to A or above rated Bank.

C4. LIQUIDITY RISK

Liquidity risk arises when an organisation, although solvent, either does not have available sufficient financial resources to meet its obligations as and when they fall due or can secure them but only at a restrictive cost.

SAGIC is not exposed to any material liquidity risk.

C5. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel, systems or external events.

SAGIC has a low tolerance for operational risk but understands that people, processes and systems are imperfect and losses may arise from errors and ineffective operations.

SAGIC have calculated an overall operational risk capital charge of £0.3m using the Standard Formula.

D. VALUATION FOR SOLVENCY PURPOSES

Overview

SAGIC's Solvency II balance sheet as at 31 March 2018 is presented together with the audited UK GAAP Balance Sheet.

Balance Sheet *(in GBP £'000)* **at 31 March**	**2018 UK GAAP**	**2018 Solvency II**
Assets		
Financial assets	3,944.92	3,987.40
Reinsurance recoverable	2,863.14	2,605.97
Debtors	319.76	319.76
Cash and cash equivalents	4,923.21	4,923.21
Other assets	3,389.52	1,579.04
Total Assets	**15,440.55**	**13,415.38**
Funds and liabilities		
Capital reserves	5,249.63	4569.09
Technical Provisions[1]	7,664.52	7,934.72
Creditors and other payables	13.81	13.81
Other liabilities	2,512.59	897.76
Total Liabilities	**15,440.55**	**13,415.38**

The differences in valuation for the relevant asset and liability items are clarified in the next section.

[1] In the GAAP context 'Technical Provisions' refer to Reserves.

D1. ASSETS

The differences in the valuation of SAGIC's assets as at 31 March 2018 are elucidated below:

Balance Sheet *(in GBP £'000)* **at 31 March**	**2018 UK GAAP**	**2018 Solvency II**	**Comments**
Assets			
Financial assets	3,944.92	3,987.40	• Under UK GAAP, the accrued interest is included in 'Other Assets' • Under SII, the Financial Assets are presented using the 'dirty price' – Market Value plus Accrued interest
Reinsurance recoverable	2,863.14	2,605.97	• The Reinsurance recoverables reflect the Reinsurer's share in the Best Estimates. Payment patterns are applied to the GAAP figures to derive cashflows which are then discounted to arrive at the SII figures.
Other assets	3,389.52	1,579.04	• Under UK GAAP, the 'Other Assets' include, among others, the Deferred Acquisition Cost, Intangible Assets and Accrued Interest. • Under SII, the above Balance Sheet items are considered to be equal to zero.
Funds and liabilities			
Technical Provisions[2]	7,664.52	7,934.72	• Under UK GAAP, the 'Technical Provisions' refer to Reserves. • Under SII, 'Technical Provisions' refer to Best Estimates plus Risk Margin. It is calculated on a cashflow basis using discounting techniques to arrive at a NPV.
Other liabilities	2,512.59	897.76	• Under UK GAAP, the 'Other Liabilities' include, among others, ' Amounts arising out of reinsurance operations' and 'Reinsurance Payables' majority of which pertain to Best Estimate cashflows under the scope of Technical Provisions in the SII calculations. • Under SII, the above items have been reclassified within the Best Estimates and Expenses cashflows

[2] In the GAAP context 'Technical Provisions' refer to Reserves.

D2. TECHNICAL PROVISIONS

Overview

The starting point for the estimation of the Technical Provisions is the GAAP reserves as at the valuation date.

As per regulatory guidance, the Solvency II Technical Provisions consist of the Claim Provisions, the Premium Provisions and the Risk Margin. The following sections provide an account on the key principles of the calculation for each component.

Claim Provisions

As mentioned above the starting point for the Best Estimates is the GAAP reserves as at the validation date. These provisions have been adjusted incorporating the following elements of transition to a Solvency II Best estimate basis:

Cashflows

For the calculation of Technical Provisions, a suitable payment pattern has been applied to outstanding reported claims and IBNR relating to the earned part of the exposure thus forming projected cashflows for each Solvency II Line of Business.

The payment pattern has been derived from the paid claims triangles per line of business. The paid claim triangles are based on the data extracts from SAGIC's Claim systems.

Discounting

The discount rates used for discounting cashflows were taken from the relevant EIOPA publication as at 31st March 2018.

Events Not In Data

The best estimate claim provisions are by definition the best estimate of all possible cashflows. This implies that the estimate should cater for extreme events that might not be reflected in the data. These are referred to as ENIDS ("events not in data")

ENIDs are normally captured by applying an appropriate uplift, whose calibration should be justified.

After lengthy discussions with SAGIC's management it was concluded that the impact of ENIDs is immaterial.

Counterparty Default

Under Solvency II, recoverables from reinsurance counterparties must be adjusted for expected losses due to counterparty default. The adjustment needs to be based on a market consistent assessment of the probability of default and should be made for each line of business and separately for premium and claims provisions.

The counterparties are rated A or above and therefore the probability counterparty default is immaterial, based on S&P published default rates.

Bounded but not incepted policies

SAGIC's technical provisions are not affected by any bounded but not incepted policies.

Premium Provision

Premium Provisions captures claims that relate to unearned exposure as at the valuation date.

The calculation of Premium Provision is based on the following simplification (as this is outlined in Solvency II Technical Provisions specifications):

BE= CR * VM + (CR-1)* PVFP+AER * PVFP

Where,

BE= best estimate of premium provision

CR= estimate of the combined ratio for each line of business on a gross of acquisition cost basis = (claims + claims related expenses)/ (earned premiums gross of acquisition expenses)

VM= volume measure for unearned premium.

PVFP= present value of future premiums

AER= estimate of acquisition expenses for each line of business.

Based on the figure of the Profit and Loss as at 31st March 2018, the Combined Ratio (CR) is equal to the average of the last 4 years which is 81%.

The present value of future premiums (PVFP) is equal to zero.

Cashflows

For the calculation of Premium Provisions, a suitable payment pattern has been applied to the claim provision relating to the unearned part of the exposure (as calculated by the simplification outlined above), thus forming the expected premium provision cashflows per Solvency II line of business.

The payment pattern has been derived from the paid claims triangles per line of business. The paid claim triangles are based on the data extracts from SAGIC's Claim systems.

Discounting

The discount rates used for discounting cashflows were taken from the relevant EIOPA publication as at 31st March 2018.

Events Not In Data

No uplifts applied for the same reasons discussed under claim provisions.

Counterparty Default

Under Solvency II, recoverables from reinsurance must be adjusted for expected losses due to counterparty default. The adjustment needs to be based on a market consistent assessment of the probability of default and should be made for each line of business and separately for premium and claims provisions.

The counterparties are rated A or above and therefore the probability counterparty default is immaterial, based on S&P published default rates.

Bounded but not incepted policies

SAGIC's technical provisions are not affected by any bounded but not incepted policies.

Expenses

A cash flow projection used to calculate best estimates shall take into account all of the following expenses, which relate to recognised insurance and reinsurance obligations of insurance and reinsurance undertakings:

- administrative expenses;
- investment management expenses;
- claims management expenses;
- acquisition expenses.

Expenses shall be projected on the assumption that the undertaking will write new business in the future.

Under SII, the following Balance Sheet items are treated as part of the Technical Provisions.

These are presented in the following table:

Balance Sheet items	**Amounts**
as at 31/3/2018	*(in GBP £ '000)*
Reinsurance payables	1,215.23
Expenses	108.04
Other creditors	399.60
Total	**1,722.87**

The expenses are split between into the SII classes proportionally, with these proportions based on the relative claim and premium provisions per line of business.

Cashflows

The expenses are assumed to be paid within the first projection period.

Discounting

The used discount rates were taken from the relevant EIOPA publication as at 31 March 2018.

Risk Margin

The risk margin is part of the technical provisions in order to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The risk margin should be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds is called Cost-of-Capital.

For the risk margin a simplification has been used on the basis of a range of simplifications specified by EIOPA.

The simplification is based on the assumption that the future SCR runs off in line with the run-off of technical provisions.

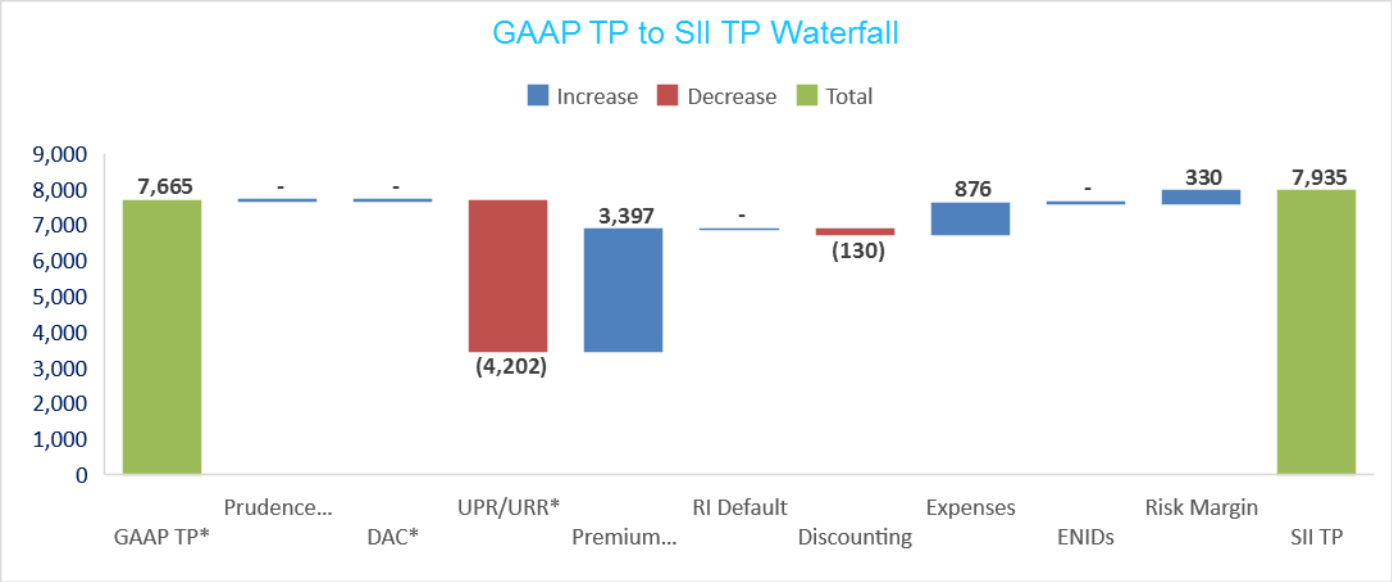
Results

The following table shows the results per SII Class of business for all the relevant components both on a UK GAAP basis and a Solvency II basis.

As at 31st March 2018 *(in GBP '000s)	UK GAAP	Solvency II
RI Best Estimates - Claim Provision	**1,723**	**1,700**
SA/ Commercial	1,721	1,698
Liability (HH liability & Liability)	2	2
RI Best Estimates - Premium Provision	**1,140**	**906**
SA/ Commercial	1,140	906
Liability (HH liability & Liability)		
Total Recoverables	**2,863**	**2,606**
Gross Best Estimates - Claim Provision(CP)	**3,354**	**3,298**
SA/ Commercial	2,987	2,937
Liability (HH liability & Liability)	367	361
Best Estimates - Premium Provision (PP)	**4,202**	**3,340**
SA/ Commercial	4,087	3,248
Liability (HH liability & Liability)	115	92
Expenses (E)	**108**	**967**
SA/ Commercial	102	878
Liability (HH liability & Liability)	6	89
Total Best Estimate (PP+CP+E)	**7,664**	**7,605**
Risk Margin (RM)	-	**330**
SA/ Commercial	-	303
Liability (HH liability & Liability)	-	27
Gross Technical Provisions	**7,664**	**7,935**
Net Technical Provisions	**4,801**	**5,329**

In summary, there is an increase of £0.5m when moving from SAGIC's UK GAAP Reserves to its Solvency II Technical Provisions and the various drivers of this change are summarised below. This is primarily driven by the allocation of items that fall under Solvency II Technical Provisions cashflows to GAAP Balance Sheet headings like "Reinsurance Payables" and "Other Liabilities".

The following graph provides an analysis of change from the UK GAAP Reserves to the SII Technical Provisions. Overall, there is an increase of £0.5 m when moving from UK GAAP Reserves to Solvency II Technical Provisions; the various drivers of this change are displayed in the waterfall chart below:



*TP=Technical Provisions; UPR=Unearned Premium Reserve; URR=Unexpired Risk Reserve; DAC=Deferred Acquisition Cost

D3. OTHER LIABILITIES

The differences in the valuation of SAGIC's other liabilities as at 31 March 2017 are elucidated below:

Balance Sheet *(in GBP £'000)* **at 31 March**	**2018 UK GAAP**	**2018 Solvency II**	**Comments**
Funds and liabilities			
Other liabilities	2,513	898	• Under UK GAAP, the 'Other Liabilities' include, among others, ' Amounts arising out of reinsurance operations', ' Reinsurance Payables'. • Under SII, the above items have been included in the Expense provision of the Best Estimate calculations.

D4. ALTERNATIVE METHODS OF VALUATION

SAGIC does not utilise any alternative methods of valuation.

D5. ANY OTHER INFORMATION

SAGIC has not identified any other information that it considers material to be disclosed.

E. CAPITAL MANAGEMENT

E1. OWN FUNDS AND THEIR QUALITY

Tier 1 capital constitutes 99% of SAGIC's total own funds. The table below lists SAGIC's capital components along with their classifications: The SCR of £3.8m represents 84% of SAGIC's total own funds while the free surplus of £0.7m equates to approximately 16% of SAGIC's total own funds.

Type of Capital (in GBP '000s)	Classification of Capital	Solvency II Value as at 31 March 2018	Solvency II Value as at 31 March 2017
Ordinary share capital (gross of own shares)	Tier 1	400	400
Reconciliation Reserve	Tier 1	4,165	3,611
An amount equal to the value of net deferred tax assets	Tier 3	4	44
Total Own Funds		**4,969**	**4,055**

Information objectives policies and processes for managing own funds

SAGIC's objective under its Corporate Plan is to maintain its total capital resources (own funds) in line with its risk appetite statement over the insurance cycle. SAGIC forecasts its capital over a 3 year planning horizon as part of its ORSA process.

E2. MINIMUM CAPITAL REQUIREMENT AND SOLVENCY CAPITAL REQUIREMENT

Minimum Capital Requirements ("MCR")

SAGIC's Standard Formula MCR as at 31st March 2018 has been calculated as £3.25m. The table below illustrates SAGIC's MCR and SCR coverage ratios:

	Solvency Position 31st March 2018 £'000s
Eligible Own Funds	4,569
Solvency Capital Requirement ("SCR")	3,844
Minimum Capital Requirement ("MCR")	3,251
Own Funds Surplus over SCR	725
SCR Coverage Ratio	**119%**
Own Funds Surplus over MCR (Tier 1 only)	1,314
MCR Coverage Ratio	**140%**

The inputs into the MCR are net premium (£8.8m) and net technical provisions excluding Risk Margin (£5m).

As is evident from the table above, SAGIC is adequately capitalised to meet its business obligations on an ongoing basis.

Solvency Capital Requirement ("SCR")

SAGIC has based its SCR calculations on the Standard Formula using its UK GAAP financial statements. The summary results of the SCR calculation are set out below:

Risk Classification	**Solvency II SCR (as at 31st March 2018) in GBP £'000s**	**Proportion of SCR**
Underwriting Risk	2,865	68%
Counterparty Default Risk	663	16%
Market Risk	656	16%
SCR pre-diversification	**4,184**	
Diversification credit	(700)	
Operational Risk	360	
SCR Final	**3,844**	

As at 31st March 2018, the largest contributor to SAGIC's SCR was underwriting risk accounting for approximately 68% of the pre-diversified SCR; with market risk and counterparty default risk contributing to the remaining 32% in aggregate.

Appropriateness of Standard Formula

The SAGIC Board and management have reviewed the appropriateness of the Standard Formula SCR calculation given the nature of the business and consider it to be appropriate as a regulatory capital measure. The main reasons for this are explained below:

Consistency in Methodology

The modelling methodology and structure underlying the Standard Formula are closely aligned to and consistent with the Board and Management's evaluation of the business risk profile. SAGIC underwrites traditional insurance business primarily geared towards property type business. A large part of the business relates to insuring parent entity's (Salvation Army) risk exposures. There is considerable in-house underwriting experience and expertise and a close control of risk exposures. The following factors support management's assertion that the standard formula is a sufficient measure of the company's risk profile and hence its regulatory capital requirements:

- Simplicity of risk profile – the company writes traditional insurance lines with a significant proportion of the portfolio associated with parent's entity risk exposures. The structure of the standard formula covers sufficiently the classes of business that the company is operating.
- Underwriting experience in writing the business - the company maintains considerable in house expertise and experience in the lines of business it is operating. Management has developed an in-depth understanding of the risk involved and through the support of externally outsourced actuarial services they are in a position to assess the appropriateness of the level of risk implied by the standard formula calculation.
- Simple investments – the company operates a straight forward investment strategy with the absence of complex investment vehicles
- Absence of Defined Benefit pension obligations – this implies that one of the known weaknesses of the Standard Formula is not applicable in this case

SAGIC carries reserve, premium and catastrophe risk. This risk category is the most material element of the company's overall risk profile. The following comments can be made in relation to the appropriateness of the standard formula.

- The company writes predominantly property business. In terms of the exposure measure of reserve risk a significant effort is put towards converting the GAAP reserves into Solvency II Technical provisions – this process is discussed in detail under section 'D2. Technical Provisions' of this report. The base volatility factors calibrated at EIOPA level are deemed appropriate by management given the nature of the portfolio and the fact that the business written is largely standard UK

property insurance risk with no unusual features embedded in the policies.

- The premium risk is largely driven by forecasted business volumes. The company implements a robust approach in deriving these volumes which are ultimately approved by the Board. Similar to reserve risk the volatility factors are deemed appropriate by management.
- The company is exposed to EEA domiciled catastrophes and as such the estimation of catastrophe risk is based on the utilisation of the pre-defined scenarios. These scenarios are deemed appropriate for the risk faced by the company.

In addition, an appropriate amount of stress and scenarios testing was carried out to reinforce the adequacy of the SCR capital calculated using the Standard Formula.

E3. SCR SIMPLIFICATION

SAGIC uses the modified duration simplification instead of full cashflows on the asset side to calculate interest rate risk under the Standard Formula. This approach is reasonable given that the durations of its assets and liabilities are well matched.

E4. USE OF INTERNAL MODEL

SAGIC uses the Standard Formula approach to calculate its SCR and not an internal model.

E5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND SIGNIFICANT NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

SAGIC has fully complied with its SCR and MCR requirements during the period under review.

APPENDIX 1: ROLES AND RESPONSIBILITIES OF THE BOARD

The Board determines SAGIC's strategy and its risk appetite. It sets SAGIC's values and standards and ensures that its fiduciary duties to shareholders and other stakeholders are appropriately discharged. The Board of SAGIC is the highest authority in the management structure and is ultimately and collectively responsible for the management of SAGIC including the meeting of all regulatory requirements as applicable.

Thus, the primary function of the Board is to oversee that SAGIC's management has effective processes in place to:

- Ensure the proper management of, and processes for, the conduct of SAGIC's business activities;
- Consider and endorse the strategy and options available to SAGIC;
- Ensure that management considers and protects the interests of third parties as part of the Boards' obligations under the PRA's prudential regulations and the FCA's conduct regulations;
- Ensure that SAGIC maintains an adequate level and quality of capital commensurate with the scale, nature and complexity of its business and risk profile, such that it is able to meet on-going solvency requirement under Solvency II and other local regulations;
- Monitor the operational and financial position and performance of SAGIC;
- Identify SAGIC's principal risks and ensure that appropriate control and monitoring systems are in place to manage the impact of these risks; and
- Approve processes, procedures and systems to ensure that financial results are appropriately and accurately reported on a timely basis.

In accordance with the Companies Act 2006, each director is obligated to comply with the following seven general duties:

1) to act within the powers of the Company;
2) to promote the success of the Company;
3) to exercise independent judgment;
4) to avoid conflicts of interest;
5) not to accept benefits from third parties;
6) to declare any interest in proposed transactions or arrangements with the Company; and
7) to exercise reasonable care, skill and diligence.

APPENDIX

Appendix 2: Quantitative Reporting Templates

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	4,060
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	15,274
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,987,399
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	1,545,798
Equities — listed	R0110	1,545,798
Equities — unlisted	R0120	-
Bonds	R0130	1,658,243
Government Bonds	R0140	-
Corporate Bonds	R0150	1,658,243
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	783,358
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	2,605,970
Non-life and health similar to non-life	R0280	2,605,970
Non-life excluding health	R0290	2,605,970
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	319,763
Reinsurance receivables	R0370	1,443,315
Receivables (trade, not insurance)	R0380	-
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	4,923,214
Any other assets, not elsewhere shown	R0420	116,392
Total assets	R0500	13,415,387
		Solvency II value
Liabilities		**C0010**
Technical provisions — non-life	R0510	7,934,718
Technical provisions — non-life (excluding health)	R0520	7,934,718
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	7,604,850
Risk margin	R0550	329,868
Technical provisions — health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions — life (excluding index-linked and unit-linked)	R0600	-
Technical provisions — health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions — index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	13,806
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	897,772
Total liabilities	R0900	8,846,296
Excess of assets over liabilities	R1000	4,569,091

APPENDIX

S.23.01.01						
Own funds						
		Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	400000	400000		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	4165031.115	4165031.115			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	4060				4060
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
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	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	4569091.115	4565031.115	0	0	4060
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
		Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	4569091.115	4565031.115	0	0	4060
Total available own funds to meet the MCR	R0510	4565031.115	4565031.115	0	0	
Total eligible own funds to meet the SCR	R0540	4569091.115	4565031.115	0	0	4060
Total eligible own funds to meet the MCR	R0550	4565031.115	4565031.115	0	0	
SCR	R0580	3843652.628				
MCR	R0600	3250561				
Ratio of Eligible own funds to SCR	R0620	1.188736745				
Ratio of Eligible own funds to MCR	R0640	1.404382541				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	4569091.115				
Own shares (held directly and indirectly)	R0710	0				
Foreseeable dividends, distributions and charges	R0720	0				
Other basic own fund items	R0730	404060				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0				
Reconciliation reserve	R0760	4165031.115				
Expected profits						
Expected profits included in future premiums (EPIFP) — Life business	R0770	0				
Expected profits included in future premiums (EPIFP) — Non- life business	R0780	0				
Total Expected profits included in future premiums (EPIFP)	R0790	0				

APPENDIX

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	1178219.05

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	4584510	8006000
General liability insurance and proportional reinsurance	R0090	414370	795000
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	**0**	
Other life (re)insurance and health (re)insurance obligations	R0240	**0**	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	1178219.05
SCR	R0310	3843652.628
MCR cap	R0320	1729643.682
MCR floor	R0330	960913.1569
Combined MCR	R0340	1178219.05
Absolute floor of the MCR	R0350	3250561
		C0070
Minimum Capital Requirement	R0400	3250561

S.25.01.01

Solvency Capital Requirement — for undertakings on Standard Formula

Article 112	**Z0010**	No

		Net solvency capital requirement	**Gross solvency capital requirement**
		C0030	C0040
Market risk	R0010	656204.1025	656204.1025
Counterparty default risk	R0020	662963.7132	662963.7132
Life underwriting risk	R0030	0	0
Health underwriting risk	R0040	0	0
Non-life underwriting risk	R0050	2865145.925	2865145.925
Diversification	R0060	-700601.1131	-700601.1131
Intangible asset risk	R0070	0	0
Basic Solvency Capital Requirement	R0100	3483712.628	3483712.628

Calculation of Solvency Capital Requirement		**C0100**
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	359940
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	3843652.628
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	3843652.628
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment
Net future discretionary benefits	R0460	0
		.

APPENDIX

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	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross — Direct Business	R0110	0	0	0	0	0	0	11989000	1218000	0
Gross — Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	R0140	0	0	0	0	0	0	3983000	423000	0
Net	R0200	0	0	0	0	0	0	8006000	795000	0
Premiums earned										
Gross — Direct Business	R0210	0	0	0	0	0	0	10066000	1147000	0
Gross — Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	R0240	0	0	0	0	0	0	3536000	423000	0
Net	R0300	0	0	0	0	0	0	6530000	724000	0
Claims incurred										
Gross — Direct Business	R0310	0	0	0	0	0	0	5173000	490000	0
Gross — Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	R0340	0	0	0	0	0	0	2212000	210000	0
Net	R0400	0	0	0	0	0	0	2961000	280000	0
Changes in other technical provisions										
Gross — Direct Business	R0410	0	0	0	0	0	0	0	0	0
Gross — Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0
Gross — Non- proportional reinsurance accepted	**R0430**									
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	0	0	0	0	0	0	3505370	63780	0
Other expenses	**R1200**									
Total expenses	**R1300**									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	Total
Premiums written									
Gross — Direct Business	R0110	0	0	0					13207000
Gross — Proportional reinsurance accepted	R0120	0	0	0					0
Gross — Non-proportional reinsurance accepted	R0130								0
Reinsurers' share	R0140	0	0	0	0	0	0	0	4406000
Net	R0200	0	0	0	0	0	0	0	8801000
Premiums earned									
Gross — Direct Business	R0210	0	0	0					11213000
Gross — Proportional reinsurance accepted	R0220	0	0	0					0
Gross — Non-proportional reinsurance accepted	R0230								0
Reinsurers' share	R0240	0	0	0	0	0	0	0	3959000
Net	R0300	0	0	0	0	0	0	0	7254000
Claims incurred									
Gross — Direct Business	R0310	0	0	0					5663000
Gross — Proportional reinsurance accepted	R0320	0	0	0					0
Gross — Non-proportional reinsurance accepted	R0330								0
Reinsurers' share	R0340	0	0	0	0	0	0	0	2422000
Net	R0400	0	0	0	0	0	0	0	3241000
Changes in other technical provisions									
Gross — Direct Business	R0410	0	0	0					0
Gross — Proportional reinsurance accepted	R0420	0	0	0					0
Gross — Non- proportional reinsurance accepted	R0430				0	0	0	0	0
Reinsurers'share	R0440	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0
Expenses incurred	R0550	0	0	0	0	0	0	0	3569150
Other expenses	R1200								0
Total expenses	R1300								3569150

		Line of Business for: life insurance obligations								Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1420	0	0	0	0	0	0	0	0	0
Net	R1500	0	0	0	0	0	0	0	0	0
Premiums earned										
Gross	R1510	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1520	0	0	0	0	0	0	0	0	0
Net	R1600	0	0	0	0	0	0	0	0	0
Claims incurred										
Gross	R1610	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1620	0	0	0	0	0	0	0	0	0
Net	R1700	0	0	0	0	0	0	0	0	0
Changes in other technical provisions										
Gross	R1710	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0	0	0
Expenses incurred	R1900	0	0	0	0	0	0	0	0	0
Other expenses	R2500									0
Total expenses	R2600									0

APPENDIX

S.17.01.02

Non-life Technical Provisions

		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
		C0020	C0030	C0040	C0050	C0060	C0070
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	0	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	0	0	0
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	0	0
Claims provisions							
Gross	R0160	0	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	0	0
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	0	0
Total Best estimate — gross	R0260	0	0	0	0	0	0
Total Best estimate — net	R0270	0	0	0	0	0	0
Risk margin	R0280	0	0	0	0	0	0
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0
Technical provisions - total							
Technical provisions - total	R0320	0	0	0	0	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	0	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	0	0

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	3248150	91490	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	906360	0	0	0	0	0
Net Best Estimate of Premium Provisions	R0150	2341790	91490	0	0	0	0
Claims provisions							
Gross	R0160	3815130	450080	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1572410	127200	0	0	0	0
Net Best Estimate of Claims Provisions	R0250	2242720	322880	0	0	0	0
Total Best estimate — gross	R0260	7063280	541570	0	0	0	0
Total Best estimate — net	R0270	4584510	414370	0	0	0	0
Risk margin	R0280	302438.533	27335.84503	0	0	0	0
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0
Technical provisions - total							
Technical provisions - total	R0320	7365718.533	568905.845	0	0	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	2478770	127200	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	4886948.533	441705.845	0	0	0	0

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	0	0	0	0	3339640
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	0	906360
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	2433280
Claims provisions						
Gross	R0160	0	0	0	0	4265210
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	1699610
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	2565600
Total Best estimate — gross	R0260	0	0	0	0	7604850
Total Best estimate — net	R0270	0	0	0	0	4998880
Risk margin	R0280	0	0	0	0	329774.378
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0
Technical provisions - total						
Technical provisions - total	R0320	0	0	0	0	7934624.378
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	0	0	0	0	2605970
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	5328654.378

APPENDIX

S.05.02.01								
Premiums, claims and expenses by country								
		Home Country	**Top 5 countries (by amount of gross premiums writt**					
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**
	R0010							
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Premiums written								
Gross — Direct Business	**R0110**	**13207000**	**0**	**0**	**0**	**0**	**0**	**13207000**
Gross — Proportional reinsurance accepted	**R0120**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross — Non-proportional reinsurance accepted	**R0130**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share	**R0140**	**4406000**	**0**	**0**	**0**	**0**	**0**	**4406000**
Net	**R0200**	**8801000**	**0**	**0**	**0**	**0**	**0**	**8801000**
Premiums earned								
Gross — Direct Business	**R0210**	**11213000**	**0**	**0**	**0**	**0**	**0**	**11213000**
Gross — Proportional reinsurance accepted	**R0220**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross — Non-proportional reinsurance accepted	**R0230**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share	**R0240**	**3959000**	**0**	**0**	**0**	**0**	**0**	**3959000**
Net	**R0300**	**7254000**	**0**	**0**	**0**	**0**	**0**	**7254000**
Claims incurred								
Gross — Direct Business	**R0310**	**5663000**	**0**	**0**	**0**	**0**	**0**	**5663000**
Gross — Proportional reinsurance accepted	**R0320**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross — Non-proportional reinsurance accepted	**R0330**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share	**R0340**	**2422000**	0	0	0	0	0	**2422000**
Net	**R0400**	**3241000**	**0**	**0**	**0**	**0**	**0**	**3241000**
Changes in other technical provisions								
Gross — Direct Business	**R0410**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross — Proportional reinsurance accepted	**R0420**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross — Non- proportional reinsurance accepted	**R0430**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers'share	**R0440**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net	**R0500**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	**R0550**	**3569150**	**0**	**0**	**0**	**0**	**0**	**3569150**
Other expenses	**R1200**							**0**
Total expenses	**R1300**	**63735150**	**0**	**0**	**0**	**0**	**0**	**3569150**

		Home Country	**Top 5 countries (by amount of gross premiums writt**					
		C0150	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
	R1400							
		C0220	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**
Premiums written								
Gross	**R1410**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share	**R1420**	**0**	0	0	0	**0**	**0**	**0**
Net	**R1500**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Premiums earned								0
Gross	**R1510**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share	**R1520**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net	**R1600**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Claims incurred								0
Gross	**R1610**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share	**R1620**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net	**R1700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in other technical provisions								0
Gross	**R1710**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share	**R1720**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net	**R1800**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	**R1900**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other expenses	R2500							**0**
Total expenses	**R2600**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

APPENDIX

S.19.01.01
Non-life Insurance Claims Information

Subtemplate	S.19.01.01.01																	
Name	Gross Claims Paid (non-cumulative) - Development year (absolute amount)																	
Z Axis	7 and 19 Fire and other damage to property insurance	Accident year	GBP	Reporting currency														
Data Offset	3:1																	
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Prior	R0100																0	
N-14	R0110	0	0	32466.68	4997.73	0	0	0	0	0	0	0	0	0	0	0		
N-13	R0120	0	296491.21	178495.8	86746.42	177262.01	92956.75	47511.97	520	18789.88	0	0	0	0	0			
N-12	R0130	419723.59	392499.05	41833.87	4431.99	2764.44	0	0	0	0	0	0	0	0				
N-11	R0140	385597.73	171521.3	94210.81	14285.8	4958.01	1468.75	0	0	0	0	0	0					
N-10	R0150	471698.66	657495.54	138041.13	1162.65	2198.32	0	0	0	0	0	0						
N-9	R0160	487365.96	390994.39	8013.36	38307.06	23867.6	0	0	0	0	0							
N-8	R0170	323051.25	83492.03	65869.08	838.66	0	0	0	0	0								
N-7	R0180	102754.01	279064.63	83391.32	2660.4	0	0	0	0									
N-6	R0190	432352.82	614305.98	72213.42	120	0	0	0										
N-5	R0200	282864.18	195439.58	-8261.17	0	0	0											
N-4	R0210	395777.95	248397.17	151303.41	4124	1063.9												
N-3	R0220	363962.79	468118.89	72606.92	6133.4													
N-2	R0230	548566.9	680654.73	46525.93														
N-1	R0240	972401.051	1637154.99															
N	R0250	1338377.61																

Subtemplate	S.19.01.01.02			
Name	Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative)			
Z Axis	7 and 19 Fire and other damage to property insurance	Accident year	GBP	Reporting currency
Data Offset	3:1			
		In Current year	Sum of years (cumulative)	
		C0170	C0180	
Prior	R0100	0	0	
N-14	R0110	0	37464.41	
N-13	R0120	0	898774.04	
N-12	R0130	0	861252.94	
N-11	R0140	0	672042.4	
N-10	R0150	0	1270596.3	
N-9	R0160	0	948548.37	
N-8	R0170	0	473251.02	
N-7	R0180	0	467870.36	
N-6	R0190	0	1118992.22	
N-5	R0200	0	470042.59	
N-4	R0210	1063.9	800666.43	
N-3	R0220	6133.4	910822	
N-2	R0230	46525.93	1275747.56	
N-1	R0240	1637154.99	2609556.041	
N	R0250	1338377.61	1338377.61	
Total	R0260	3029255.83	14154004.29	