MONARCH ASSURANCE SE

SOLVENCY AND FINANCIAL CONDITION REPORT

30 NOVEMBER 2020

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for ensuring that the Solvency and Financial Condition Report including the attached reporting templates is properly prepared in all material respects in accordance with the PRA rules and the Solvency II regulations.

The directors are satisfied that:

- the company has complied in all material respects with the PRA rules and Solvency II regulations as applicable to the company during 2020; and

- at the date of this report, the company has continued to so comply and will continue to so comply in the future.

The PRA does not require the company's SFCR to be audited.

By order of the board

J A F Cuypers
Director
15 April 2021

EXECUTIVE SUMMARY

As at 30 November 2020, Monarch Assurance SE was a UK life insurance company writing long term unit linked insurance business in the UK principally through EU freedom of services rules. As noted in previous reports and consequent on the UK's decision to leave the EU, the company has been pursuing a contingency plan to relocate its legal seat and operations into the EU and had selected Malta as an appropriate jurisdiction. On 21 December 2020, the company received a licence to carry out long term insurance business from the Malta Financial Services Authority and its registered office transferred from the UK to Malta. The company ceased to be authorised by the Prudential Regulation Authority on the same day.

The migration of the company from the UK to Malta allows it to seamlessly continue servicing existing and future clients.

The migration will necessarily involve a number of operational changes and the company has developed a transition plan that it is now implementing to ensure continuity of operations, client service and regulatory compliance. The narrative in this report relates to the company's operations, systems and controls that pertained at 30 November 2020.

The company has been successful in developing EU markets. The company's solvency position is satisfactory with a solvency ratio of 197% judged against the minimum capital requirement (MCR) (2019: 190% against the solvency capital requirement). The improved solvency ratio reflects the continued development of the business and a small reduction in the capital requirement.

The corporate governance framework described in this report is continuously reviewed and enhanced to ensure that it remains suitable for the nature and scale of the company's operations. As noted above, changes are being implemented as a result of the company's migration to Malta.

The company uses its expertise and flexibility, working with independent brokers, to offer insurance products tailored to the needs of particular groups of potential clients. Results continue to show that niche opportunities exist in the current marketplace and the directors remain optimistic for the future.

Many countries around the world have been severely affected by the Covid-19 pandemic; global listed equity markets suffered significant falls but have now, in the main, recovered, governments have introduced massive economic support packages, vaccination programmes are being implemented but measures introduced by governments to stop the spread of the virus are still causing significant disruption to everyday life. The company is not immune to these disruptions. All the company's employees remain working from home and the company's systems and processes are sufficiently robust to ensure that the company remains fully operational in a properly governed manner.

The longer term impacts of the pandemic will not be known for some time. Despite the uncertainty, the company as a regulated insurer is well prepared to meet such challenges; it is required to hold a minimum level of regulatory solvency capital which is designed to buffer against such shocks and at 30 November 2020, it held 197% of the minimum level of solvency. The company also undertakes regular re-forecasting and scenario analysis to monitor its financial position and respond to emerging risks with appropriate management action, these show that the company remains solvent in all the scenarios modelled.

A. BUSINESS AND PERFORMANCE

A.1 Business

Company:	Monarch Assurance SE
Registered Number:	SE000137, England
Registered Office:	10th Floor, 3 Hardman Street, Manchester M3 3HF United Kingdom
Supervisory Authority:	Prudential Regulation Authority
Supervisory Address:	20 Moorgate, London EC2R 6DA, United Kingdom
External Auditor:	Beever and Struthers
External Auditor Address:	St George's House, 215-219 Chester Road, Manchester M15 4JE, United Kingdom

Monarch Assurance SE (Monarch or the company) is a societe european limited by shares and incorporated in England. It is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA, both in the UK.

As noted in the Executive Summary, the company re-domiciled to Malta on 21 December 2020 and from that date became regulated by the Malta Financial Services Authority.

Monarch is 100% owned by Soogen Holdings Limited (Soogen), a private company limited by shares and incorporated in England. The Soogen group is supervised by the PRA. Soogen is entirely privately owned and controlled.

Monarch operates from its UK head office; it has no branches or regulated subsidiaries.

The company transacts life assurance business from its head office in the United Kingdom. It works with distribution organisations in selected EU states under freedom of services legislation; its principal markets during 2020 were Belgium and France. The company also operates legacy books of life annuity, pension annuity and permanent health insurance business written through its UK office.

At present, the company writes only unit-linked long term insurance business with single or regular premiums and with or without life cover. Its income derives from management charges levied on the premiums and investments underlying contracts issued to policyholders; management charges comprise sometimes an initial charge on premiums received and always an annual charge based on the value of the fund underlying each contract. Where relevant, charges also include an amount relating to the provision of life cover for the client. From these charges, the company pays commissions to independent brokers who market the company's products. Monarch does not provide any advice to clients on either the suitability of the Monarch product to their needs or on the selection of investments appropriate to the clients' circumstances; these are the responsibility of independent brokers through whom all the company's products are sold.

Some policies also provide additional life cover for the policyholder over and above the unit linked value. The cost of such cover is charged to the policy and the additional risk is fully re-insured with a reputable European reinsurance company.

A.2 Underwriting performance

All of Monarch's material business risks and returns are in one segment – unit linked long term insurance business. All new business is written in the UK and there is no material inward or outward reinsurance.

A summary of the results on the technical account for the period ended 30 November 2020 is set out below:

	Period ended 30 November 2020	Year ended 31 December 2019
	£000	£000
Technical provisions for unit linked liabilities at the start of the year	131,186	118,468
Gross written premiums	8,367	13,781
Claims incurred	(9,721)	(4,835)
Change in technical provisions for linked liabilities	602	3,772
Technical provisions for unit linked liabilities at the end of the year	130,434	131,186

The change in the technical provisions figure includes investment income, unrealised gains and losses and expenses attributable to policyholders and the movement in non-unit technical provisions.

The majority of the company's business is single premium business but it also offers a number of regular savings contracts which are growing as a proportion of the total business.

In the period, sales into Belgium and France were undertaken using EU freedom of services legislation. Following the company's migration to Malta in December 2020, such sales will continue with the company passporting from Malta into selected EU territories.

The company continues to work with European based brokers to develop products that they consider will be attractive to their client base. Further new products are planned for launch in the EU in the next 12 months and the directors are confident that additional opportunities will be realised over the short to medium term.

Management charges to policyholders at £1.75m were broadly in line with 2019 on a like for like basis, reflecting some reduction as a result of weaker investment performance but offset by charges to policyholders for the additional life cover on the products in the French market.

The actuarial liability to policyholders reduced by £0.8m (2019: increase £12.7m) reflecting the value of new business written less the value of policies surrendered and investment return.

Cost monitoring and control remains a top priority for management and new investments in resources are only taken after careful consideration and the feasibility of new business initiatives is relatively secure. This rigorous approach resulted in 2020 operating costs (excluding commissions paid to brokers) being approximately £100,000 lower than 2019 on a like-for-like basis, despite the costs incurred relating to the migration of the company to Malta.

A.3 Investment performance

Investment income and unrealised gains and losses on investments relate principally to policyholder funds. Shareholder funds are held principally in cash deposits and real estate and currently generate relatively low levels of return.

The company's investment portfolio at 30 November 2020, and returns thereon may be summarised as follows:

Asset category	Holding £000	Total return £000	Total return %
Equities	29,893	1,035	3.5
Structured products	48,493	(306)	-0.6
Cash deposits	12,126	68	0.6
Government bonds	462	23	4.9
Corporate bonds	5,876	288	4.9
Loans	38,016	1,551	4.1
Property	1,603	141	8.8
	136,469	2,800	2.1

The returns on shareholder funds included above amount to £130,458 (2019: £28,052) in aggregate.

Investment income during 2020 was £4.4m against £6.2m in 2019 reflecting in particular the timing of distributions from and realisation of investments in the company's portfolio. The impact of these distributions and realisations on the remaining value of the related investments are included in unrealised losses of £1.6m (2019: gains of £1.0m).

A.4 Performance of Other Activities

The company has no other material income in the period ended 30 November 2020 (2019: £nil).

A.5 Any other information

The directors consider that all material information in relation to Monarch's business and performance has been disclosed in sections A.1 – A.4 above.

B. SYSTEM OF GOVERNANCE

Regular reviews of the adequacy of the system of governance and internal control are carried out by the Audit & Risk Committee; their reviews are informed by their knowledge of the business, external and internal audit and matters brought to their attention by the Compliance and Risk functions.

Considering the nature and scale of the company's business and the risks inherent therein, the board considers that the company's system of governance and internal control meets the necessary regulatory standards and is adequate and proportionate to the company's needs.

B.1 General information on the system of governance

Administrative, management and supervisory body

The board of directors of Monarch comprises three executive directors (the Chief Executive, Chief Risk Officer and Finance Director) and two non-executive directors. The chairman of the board is a non-executive director.

The members of the board at 30 November 2020 were as follows:

Director	Regulator approved function
Johan Cuypers	SMF1 CEO, SMF3 Executive director
Alan Morgan-Moodie	SMF9 Chairman, SMF10 Chair of the Risk Committee, SMF11 Chair of the Audit Committee Independent non-executive director
Alexander Jones	SMF12 Chair of the Remuneration Committee Independent non-executive director
John Tenconi	SMF4 Chief Risk Function
Stephen Robinson	SMF2 Chief Finance Function, SMF16 Compliance Oversight Officer, SMF17 Money Laundering Reporting Officer

The board's role is to provide strategic direction for the company within a framework of prudent and effective controls which enable risks to be assessed and managed. All directorial positions have written job descriptions and statements of responsibilities approved by the board and all directors receive appropriate training on first appointment to the board and subsequently as necessary. The management responsibilities map sets out the company's management arrangements.

New directors are appointed on the basis of their relevant skills, knowledge and experience and also, in the case of non-executive directors, their ability to take an independent view of the business of the company, the policies and procedures in place and the risks facing the company.

Both non-executive directors are considered independent but where conflict of interests are apparent or disclosed, they are recorded and procedures are in place to mitigate any risk.

The board meets approximately four times per annum with papers being circulated at least 5 days in advance of each meeting. Each meeting receives a report from the Chief Executive and the Finance Director and such other reports as are necessary, including from time-to-time, reports from the Chief Risk Officer, Compliance Oversight Officer and Money Laundering Reporting Officer and reports on Treating Customers Fairly.

Board discussions, conclusions and actions are minuted and the minutes form part of the agenda for the next meeting.

The board has reserved a number of matters for its sole determination:

- appointment or removal of directors or senior executives
- power to fix the remuneration of non-executive directors
- exercise of any powers relating to the increase, reduction or reorganisation of the share capital
- exercise of the power to borrow money or give guarantees
- declaration of dividends
- approval for submission to shareholders of the annual financial statements and approval for submission to the regulator of annual prudential returns
- approval of strategy
- approval of any operating budgets or forecasts
- approval of the Own Risk and Solvency Assessment
- approval of significant shareholder investments and capital expenditures above a threshold determined by the Board from time-to-time
- setting of authority levels within the company
- approval of risk appetite and risk management policies
- approval of capital and solvency policies

The Board has established Audit & Risk and Remuneration Committees, both of which have written terms of reference:

Audit & Risk Committee

The Audit & Risk Committee comprises the two non-executive directors. Meetings of the Committee are chaired by one of the non-executive directors and attended by executive directors, the internal auditor and the external auditor by invitation. To ensure that the Committee is able to exercise its functions independently of executive management, the Committee meets with the internal and external auditors periodically without the executive directors present. However, as the position of internal auditor was vacant during 2020 (as explained in section B.5) no internal audit reports were made to the Committee during the year.

The Committee aims to meet at least once a year unless any special meetings are required. All meetings are minuted.

The principal purposes of the Audit & Risk Committee, which are set out in its terms of reference, are to:

- Oversee the relationship with the external auditor, considering their terms of engagement and remuneration and monitoring their independence, objectivity and effectiveness
- Oversee the relationship with the internal auditor, considering their terms of engagement and remuneration and monitoring their independence, objectivity and effectiveness
- Discuss with the internal and external auditors the scope and nature of their work and to review the auditors' quality control procedures
- Review reports from the internal and external auditors and consider the adequacy of management's responses thereto
- Review the integrity and effectiveness of internal controls and risk management systems

- Review the integrity of the annual financial statements and prudential returns, focussing on:
    - Critical accounting policies and practices
    - Decisions requiring a major element of judgement
    - The extent to which the statements have been affected by any unusual transactions
    - The clarity of disclosures
    - Compliance with accounting, legal and regulatory requirements
- Review procedures for handling allegations from whistleblowers.

Remuneration Committee

The Remuneration Committee comprises the two non-executive directors. Meetings of the Committee are chaired by one of the non-executive directors and attended by executive directors and advisers (as appropriate) by invitation.

The Committee meets as and when required. All meetings are minuted.

The principal purposes of the Remuneration Committee, which are set out in its terms of reference, are to:

- Determine and agree with the Board the broad policy for the remuneration of the Board executive directors, the Chairman and other members of executive management
- Set individual remuneration arrangements for the company Chairman, the Chief Executive Officer and other Board executive directors
- Consider and approve the design of and agree targets for any performance related pay schemes developed by the Board
- Review the design of any share incentive plans for approval by the Board and shareholders and for any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used
- Authorise all remuneration arrangements that involve the use of shares, including all employee share schemes
- Consider the achievement of the performance conditions under annual and long term incentive/bonus arrangements
- Determine the policy for, and scope of, pension arrangements for each executive director and other senior executives
- Approve the service contracts of each executive director, including termination arrangements

There were no material changes to the system of governance during the period to 30 November 2020 but it should be noted that following the cessation of business by the company's UK based internal auditor and pending migration of the company to Malta, no formal internal audits were carried out during the period.

Remuneration policy and practices

Executive directors

Executive directors are remunerated by a compensation package that is structured so as not to encourage any bias towards the company's products. The objective is to set, within the context of the financial position of the company, compensation packages at levels sufficient to attract, retain and motivate executive directors of the quality required to run the company successfully and may comprise salary, fees and other benefits (or a combination of these).

The Remuneration Committee of the board determines and agrees with the board the broad policy for the remuneration of executive directors and their individual remuneration arrangements.

Non-executive directors

Non-executive directors are remunerated commensurate with the time commitments and responsibilities of the role and their contribution to the value of the business. Their remuneration is agreed by the executive directors.

Senior employees

Compensation packages are set at levels sufficient to attract, retain and motivate senior employees of the quality required to run the company successfully. Compensation of senior employees is the responsibility of the executive directors with oversight from the Remuneration Committee.

Although not explicitly applicable to the Company (as a Category 5 firm), regard is paid for Solvency II staff (board members, PRA/FCA approved persons, key function holders, material risk takers) to PRA remuneration rules regarding the deferral of variable components of remuneration and the measurement of performance where such awards are performance related.

In practice, all executive and non-executive directors and senior employees receive a fixed level of remuneration determined in accordance with the relevant policies. There is currently no entitlement on the part of any director or senior employee to any variable remuneration such as bonuses, share options, long term incentive plans etc. The company operates an auto-enrolment pension scheme; one senior employee is a member.

Material transactions with shareholders and members of the board

Material transactions between the company, its shareholders and directors are disclosed below:

A debt of £115,000 (2019: £245,150) is due from Soogen Holdings Limited, a company in which Mr J A F Cuypers is a director and 100% shareholder. The loan is interest free and repayable on demand.

There exists at 30 November 2020 a debtor amounting to £12,800 (2019: £29,000) due from Monarch Endowments Limited, a company of which Messrs J A F Cuypers, J K Tenconi and S P Robinson were directors. The balance is interest free and repayable on demand.

Messrs Robinson and Tenconi were directors of Sixty One Finance Limited, a company incorporated in England and Wales, which has borrowed £145,000 (2019: £145,000) from the company. Interest payable is linked to the bank base rate. The loan principal and interest of £568 (2019: £1,096) was outstanding at 30 November 2020. Neither director receives any remuneration for this position. The balance is repayable on demand.

The Kingsmead Corporation Limited of which Mr A R Jones is the beneficial owner charged commission of £44,121 (2019: £38,754) on management charges earned by the company from business introduced by Kingsmead; £8,133 (2019: £ Nil) was outstanding at 30 November 2020.

At 31 December 2019, loan principal of £189,753 and interest of £858 was outstanding from Mr J A F Cuypers, a director; the outstanding amount was repaid on 30 January 2020.

On 3 April 2020 the company made a credit facility of up to €235,000 available to Mr J A F Cuypers. The facility is unsecured and carries interest linked to Bank of England base rate and is repayable by 31 March 2021. Drawings of £195,714 and interest of £1,965 were outstanding at 30 November 2020.

On 30 January 2020 the company acquired the balance of the share capital of Roussel SA to take its ownership to 100%. The outstanding shares were acquired from Mr J A F Cuypers for a consideration of £1,128,547 which was satisfied through a cash payment, satisfaction of the outstanding loan amount de from Mr Cuypers and part satisfaction of amounts due from Soogen Holdings Limited.

On 27 November 2020, the company paid up the outstanding amount of £30,150 on 40,200 ordinary shares (owned as to 1 share by Mr Cuypers and as to 40,199 shares by Soogen Holdings Limited) by means of a capitalisation of profit and loss account reserves. On the same day, the company created a further 1,594,200 fully paid ordinary shares of £1 each by means of a capitalisation of profit and loss account reserves; 1 new share was issued to Mr J A F Cuypers and 1,594,199 to Soogen Holdings Limited.

B.2 Fit and proper requirements

All individuals who effectively run the company or hold key functions within it are assessed as to their fitness and propriety for their role prior to appointment. The standards adopted by the company are those required by the PRA and FCA when appointing controlled function holders; the board is satisfied that compliance with these standards is sufficient to ensure that only appropriate persons are appointed to run the firm or hold key functions.

On appointment, fitness checks to ensure that an individual has the necessary skills, knowledge and experience comprise an interview process including review of their career history, referencing from previous employers and checking of qualifications. Propriety checks include a criminal records check, financial soundness check and a fit and proper attestation by the individual.

Once appointed, all relevant individuals are subject to a quarterly check to confirm their ongoing fitness and propriety; this check includes a review of their training and competence and periodic repetition of the propriety checks undertaken on appointment. Each individual is required to complete an annual attestation that fit and proper requirements have been maintained and appropriate conduct standards adhered to.

The Chief Executive undertakes an annual assessment of the members of the board to ensure that collectively they possess adequate qualifications, experience and knowledge of:-

Insurance and financial markets

Business strategy and business model

System of governance

Financial and actuarial analysis

Regulatory framework / requirements

In addition to the directors listed in section B.1 above, the following persons have been approved by the UK regulatory bodies and are subject to the company's fit and proper requirements:

Approved person	Approved function
Sally Butters	SMF20 Chief Actuary

B.3 Risk management system including the Own Risk and Solvency Assessment

Risk identification

The company assesses its underlying risk profile, its comfort with the risks taken and whether those risks are within the risk appetite on an ongoing basis. Key risks and mitigating actions and controls are documented in a risk register which is maintained by the risk function and subject to at least annual review.

As the company's business is mainly unit linked, apart from the investment of shareholder funds, all investment and credit risk is transferred to policyholders. Operational risk is inherent in all the company's products and activities and consequently the proactive identification, assessment and management of operational risk is critical to serving the company's clients, managing corporate risk and maintaining the company's reputation.

The scale of the company's operations is such that executive directors are closely involved with its products and activities and consequently risk identification occurs on an ongoing and timely basis.

Risk appetite and tolerances

The risk appetite is defined in the risk appetite statement which is reviewed and updated as new risks emerge or at least annually by the board. This statement which sets out the overall attitude to risk is converted into risk tolerances or limits which identify acceptable ranges of risk taking within the risk appetite. These tolerances and limits are cascaded to operational managers and staff through the company's process and procedures documents. Such process and procedures documents are also reviewed and updated at least annually.

Risk management system and controls

Once a risk has been identified, the risk is assessed by the risk function and in conjunction with operational management, mitigating actions and/or controls developed as appropriate. The risk register is updated.

Monitoring of risks and related mitigating actions and controls is carried out in the first instance by operational management and staff. The risk and compliance functions act as a second line of defence and the internal audit function (when in place – see B.5) acts as an independent third line.

The risk register is presented to the Audit & Risk Committee and board on any major change in risk within the business and at least annually otherwise.

Own risk and solvency assessment

The ORSA is management's own assessment of the risks faced by the company and the capital required to be held to cover them and its own funds available to meet that capital requirement.

The ORSA demonstrates the relationship between the risks that the company faces at a point in time and in the medium term and the level of capital to be held to cover them and hence the company's solvency position. As a management tool, it is designed to increase risk awareness within the company's culture and decision making processes. In the circumstances, the directors have decided to adopt the Solvency II Solvency Capital Requirement standard formula as an appropriate basis for calculating the ORSA capital requirement.

The ORSA process includes an assessment of the capital to be held over the near term to cover the company's anticipated risks and the level of own funds available to meet this capital requirement in a range of stressed scenarios. The analysis also considers risks and extreme scenarios that could render the business model non-viable (reverse stress scenario) and thus enables an assessment of the impact of all identified events on the business plan and capital requirements.

Whilst an ORSA report represents a snapshot of the company at a point in time, the ORSA process is continuous, informing business strategy and capital requirements over time. The ORSA report is prepared and reviewed by the board annually or more frequently if the risk profile of the business changes significantly.

B.4 Internal control system

The internal control system is designed to provide reasonable assurance that financial data is reliable, that laws and regulations are complied with and operations are controlled effectively. It is ultimately the board's responsibility to ensure that the internal control system is adequate and effective; in practice, oversight of the internal control system involves not only the board but also the Audit & Risk Committee and various functions – finance, legal, compliance, risk, internal audit and operations.

Internal controls are documented within the company's governance policies and procedures and individual senior managers and members of staff are responsible for their day-to-day operation and oversight. Controls are implemented at a level proportionate to the scale, nature and complexity of the company's business and operations and the risks it faces.

Compliance function

The Compliance Function consists of the Compliance Oversight Officer whose objective is to ensure that the company complies with all laws, rules and regulations. He monitors changes in regulation and interacts with operational managers to devise commercial solutions to manage and mitigate compliance risk and to ensure that policyholders' interests are uppermost. Compliance engages in a variety of activities and processes to identify, assess, control and mitigate compliance risks as part of its oversight and administration of the company's compliance manual and to embed a compliance culture.

The Compliance Oversight Officer reports to the Chairman of the Audit & Risk Committee.

B.5 Internal audit function

Internal audit is designed to independently examine and evaluate the operation and effectiveness of the company's system of governance and internal controls.

Given its size, the directors do not consider it appropriate for the company to maintain an in-house internal audit function and therefore they contracted with a third party to provide internal audit services; unfortunately, the UK based outsourced internal auditor ceased trading at the start of 2019 and pending the company's migration to Malta as part of its Brexit contingency planning, a new internal auditor has not been appointed and consequently, no formal programme of internal audits have been carried out during 2020. The following comments relate to a situation where an internal auditor is in post.

The internal auditor reports directly to the company's Audit & Risk Committee which in turn reports to the full board. The Audit & Risk Committee and the board have the ultimate decision on the internal auditor appointment.

The internal auditor together with the Audit & Risk Committee devised a 3 year plan during which period all significant areas of operation, risk, internal control and governance within the business were to be examined; this plan will be resumed once the company has relocated to Malta.

Internal audit has no operational authority; hence it will not implement controls or develop procedures or engage in any other operational activity that could impair its objectivity or independence.

Despite there being no formal internal audit programme during 2020, one independent third party review was carried out, being a review of the adequacy of company's anti-money laundering systems and controls in relation to its existing book of business; the report gave a satisfactory conclusion.

B.6 Actuarial function

The smaller size of the firm does not merit the employment of a Chief Actuary in-house and thus the function is outsourced. The actuarial function reports to the Chief Executive and receives data from the finance function to assist it in meeting its responsibilities.

The role of the actuarial function is to:

- coordinate the calculation of technical provisions
- ensure the appropriateness of the methodologies and underlying models used and the assumptions made in the calculation of those technical provisions
- assess the sufficiency and quality of data used and to oversee the calculation of technical provisions in situations that the data is not considered sufficient or of appropriate quality
- compare the best estimate against experience
- inform the board of the reliability and adequacy of the calculation of technical provisions
- express an opinion on the overall underwriting policy
- express an opinion on the adequacy of reinsurance arrangements
- contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and the company's ORSA

B.7 Outsourcing

Given the size of the company, it would not be appropriate to maintain all functions in-house and consequently some functions have been outsourced. Not only does this provide a more efficient service to the company but it allows the company to take advantage of economies of scale and external expertise.

The key functions that the board seeks to outsource are:

- internal audit
- Chief Actuary

Both these roles are subject to appropriate fitness and propriety checks before appointment and during their tenure. The Chief Actuary provider is located in the UK and, as noted above, the internal audit role is currently vacant.

B.8 Any other information

The directors consider that all other material information regarding Monarch's system of governance is disclosed in sections B.1 – B.7 above.

C. RISK PROFILE

The company operates a low risk business model supported by a robust risk management framework that ensures that risks are identified, assessed and controlled.

C.1 Underwriting risk

Underwriting risk may arise either from an inaccurate assessment of the risks entailed in writing an insurance contract, or from factors wholly out of the company's control.

The company issues only unit-linked insurance contracts, the nature of which is that gains or losses in the value of assets and liabilities underlying those contracts are borne by the policyholder; any reduction in the value of an asset is 100% offset by a corresponding reduction in the company's liability to its policyholder and vice versa. Consequently, variations in the value of assets held to cover linked liabilities have no direct impact on the company itself or its ability to continue in business in the foreseeable future. Variations do have a secondary impact on the company in that the policyholder fund on which it calculates its annual management charges can go up or down in value; taking into account the charging bases on its contracts, the directors do not consider the secondary risk to be material to the company's ability to continue in business on a 12 month basis, even under stressed conditions.

The company's issued contracts do not contain any material options or material guarantees. Some contracts offer a small amount of life cover over and above the unit value and to avoid any risk to its own financial position, the company has fully underwritten this benefit with a large reputable re-insurer.

C.2 Market Risk

Market risk is the risk that the value of, or income arising from, the company's assets and liabilities change as a result of changes in market prices or interest rates.

Foreign exchange risk

The effect of foreign exchange rate movements on assets held to cover linked liabilities is borne by the policyholder as is the impact of foreign exchange rate movements on financial liabilities within linked funds.

The company itself has exposure to foreign exchange rate movements as approximately 50% of its assets and liabilities are denominated in currencies other than sterling, principally the euro.

Market price risk

The company has a portfolio of long term investments which are held in order to meet its liabilities to policyholders under unit linked contracts. As noted above, any reduction in the value of these assets as a result of market price movements or third party default is fully offset by a corresponding reduction in the company's liability to its policyholder.

The company's own assets are principally in the form of bank deposits and property and hence, market price risk is not considered a significant risk to the company's financial position.

C.3 Credit Risk

This is the risk of a reduction in earnings and/or value, as a result of the failure of a party (including re-insurers, deposit takers and policyholders) with whom the Company has contracted, to meet its obligations as they fall due.

For each of the company's holdings in financial instruments, the company's maximum exposure to credit risk is the carrying value as shown in the balance sheet; there is no exposure to derivatives or similar instruments.

Third party default risk

The risk is managed by carrying out appropriate due diligence on prospective counterparties with ongoing monitoring thereafter including the monitoring of credit ratings.

Debt instruments and loans and advances to third parties within assets held to cover linked liabilities are reviewed regularly to determine whether there is any objective evidence of impairment. However, as noted above, these assets are held to cover liabilities of the company to its policyholders under unit linked contracts and therefore any reduction in the value of the asset as a result of third party default has no direct impact on the company. All unit linking is specific to each policy and the policyholder or their adviser selects the investments underlying the policy.

The company holds no material debt instruments. The company has a policy of not permitting policyholder funds to remain overdrawn for more than 30 days and is able to direct the sale of investments within the relevant fund in order to recoup the amount outstanding.

As at 30 November 2020, no debts instruments were considered past due or impaired (2019: £nil) and no specific impairment provisions have been included.

The company may invest in securities issued by the UK or European governments or corporate entities at the request of its policyholders or their advisers. Any such assets would be held to cover liabilities of the company to its policyholders under unit linked contracts and again, any reduction in the value of the asset as a result of third party default would be of no direct impact on the company ie fully offset by a corresponding reduction in the company's liability to its policyholder.

For its own assets, the company pursues a conservative investment policy with the majority of its assets in the form of bank deposits and property; it has no financial liabilities other than creditors arising from its day-to-day operations. As a result, it is relatively immune to short term movements in asset and liability valuations. The biggest risk to the company is the failure of one of the major banks it uses; to minimise this risk, the company seeks, within the constraints of operating efficiency, to spread deposits across several UK and European based banks with good credit ratings.

C.4 Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its current and future obligations as they fall due, or is only able to do so at excessive cost.

All contracts of insurance issued by the company stipulate that a surrender or maturity value is only payable once associated assets have been realised. For certain more illiquid policyholder assets, the contract allows the company to meet a surrender or maturity payment in specie by transferring the underlying assets to the policyholder. Where a policyholder's fund incurs financial liabilities, the company ensures that the fund has sufficient liquid assets to match the repayment profile.

Otherwise, the company's policy is to ensure that it maintains a minimum liquidity position, consisting of bank deposits at call or a maximum of 30 days' notice, to ensure that it is able to meet its on-going expenses as they fall due.

The company has no financial liabilities other than creditors arising in the normal course of business of £9,452 (2019: £16,464), payable on demand.

C.5 Operational risk

The company is exposed to operational risk which is the risk that the company is exposed to loss arising from inadequate or failed internal processes, systems and people or from external events; this includes business disruption, fraud, the loss of key personnel, the failure of outsourcing arrangements, legal and regulatory compliance risk and reputational risk.

Operational risk management is a key element of the company's risk management framework, based on the three lines of defence model. The company's documented policies and procedures seek to exclude or mitigate operational risk but any risks identified are recorded in the risk register. Periodic reviews of the risk management process are conducted by the Audit & Risk Committee and by internal audit whose brief is to test the internal control framework to ensure that it remains appropriate.

C.6 Other material risks

Covid-19

Many countries around the world have been severely affected by the Covid-19 pandemic; global listed equity markets suffered significant falls but have now, in the main, recovered, governments have introduced massive economic support packages, vaccination programmes are being implemented but measures introduced by governments to stop the spread of the virus are still causing significant disruption to everyday life. The company is not immune to these disruptions. All the company's employees remain working from home and the company's systems and processes are sufficiently robust to ensure that the company remains fully operational in a properly governed manner.

The longer term impacts of the pandemic will not be known for some time. Despite the uncertainty, the company as a regulated insurer is well prepared to meet such challenges; it is required to hold a minimum level of regulatory solvency capital which is designed to buffer against such shocks and at 30 November 2020, it held 197% of the minimum level of solvency. The company also undertakes regular re-forecasting and scenario analysis to monitor its financial position and respond to emerging risks with appropriate management action, these show that the company remains solvent in all the scenarios modelled.

Insurance risk

The directors do not consider that the company has any material exposure to persistency, mortality or longevity risks.

Group risk

The company is part of a group consisting only of itself and its parent company Soogen Holdings Limited. Soogen has no activities other than the holding of its investment in the company; hence the directors do not consider there to be any significant group risk.

C.7 Any other information

The directors consider that all material information regarding Monarch's risk profile is disclosed in sections C.1 – C.6 above.

D. Valuation for solvency purposes

D.1 Assets

The value of Monarch's assets at 30 November 2020 is shown in the following table:

	30 November 2020 £000	31 December 2019 £000
Holdings in related undertakings		
Equities – Listed	110	130
Equities – Unlisted	2,527	1,242
Bonds – Government		
Bonds – Corporate		
Bonds – Other		
Collective Investment Undertakings		
Derivatives		
Deposits other than cash equivalents		
Assets held for unit-linked contracts	132,520	133,445
Reinsurance recoverable – Health Similar to Life		
Reinsurance recoverable – Life excluding Health		
Cash and cash equivalents	1,313	2,696
Other	459	564
Total	136,929	138,077

All assets are included at fair value. For most assets, this is market value but where no active market for a particular financial instrument exists, fair value is assessed using valuation techniques based on available information and the directors' judgement. Cash deposits and other assets (principally debtors and prepayments) are valued at face value. Loans to policyholders (included in linked assets) are valued at face value.

Monarch does not hold listed investments which are not held on an active regulated market.

Monarch has no intangible assets.

Monarch has no leasing arrangements or material deferred tax assets.

There have been no changes to the approach to valuation year-on-year and there has been no significant exercise of judgement in arriving at the values shown.

The assets are shown at the same value as the values in the financial statements with the exception of tangible fixed assets and issued but unpaid share capital which are assumed to have no value for solvency purposes.

D.2 Technical provisions

The following table summarises Monarch's technical provisions at the relevant valuation date:

	30 November 2020 £000	31 December 2019 £000
Technical provisions calculated as a whole	132,520	133,445
Best estimate liabilities	(2,774)	(3,774)
Risk margin	688	1,515
Technical provisions	**130,434**	**131,186**

All Monarch's liabilities relate to unit-linked business.

Valuation methods

The following paragraphs detail the methodology adopted for the Solvency II valuation as at 30 November 2020 for the following specific components of Monarch's business:

- valuation of unit-linked funds;
- valuation of policy loans;
- valuation of non-unit reserves;
- allowance for expenses;
- allowance for charges;
- reinsurance;
- currency exposures;
- options and guarantees; and
- discount rates.

Valuation of unit-linked funds

For all policies, unit liabilities have been calculated as the value of units allocated to each contract at their balance sheet value.

Valuation of policy loans

Monarch values policy loans at the face value of the loan outstanding.

Valuation of non-unit reserves

These have been calculated on a discounted cash-flow basis where the assumed cashflows are as follows:

Net cashflow each month =

Expected monthly expenses

- Expected monthly management charges taken from the unit-linked funds

Each monthly projected net cashflow is then discounted back to the valuation date at an assumed discount rate of interest. A positive value represents a liability; a negative value represents an asset.

The unit-linked funds are projected allowing for future premiums and fund growth. Fund growth is assumed to be the same as the discount rate used.

Allowance for expenses

Overhead expenses are allowed for in the valuation of Monarch's liabilities by a charge based on unit value. The charge is set so that the total modelled overhead and administration expenses are in line with the company's business plan. The charge reduces over the next three years, reflecting the impact of the anticipated new business.

There is also an annual expense charge to cover the costs of policy administration. This figure is assumed to inflate at 3.0%pa.

Allowance for charges

The charges used in the model are those set out in the documentation for each of the company's products.

Reinsurance

Monarch has no material reinsurance treaties in force on the valuation date. Certain contracts have a small death benefit which is fully reinsured and premiums are charged to the policy by cancellation of units. No liability remains with Monarch.

Currency exposures

Monarch's unit-linked liabilities are all denominated in sterling, euros or Norwegian krone. Assets backing the unit-linked liabilities may be denominated in other currencies but any currency exposure on such assets lies with the policyholder.

Options and guarantees

None of Monarch's contracts has any material options or any material guaranteed surrender or maturity values in place at 30 November 2020.

Discount rates

All Monarch's cashflows are discounted at the required risk free rate of interest set by EIOPA.

Assumptions used in the valuation of best estimate liabilities

Assumptions need to be made for:

- lapse and withdrawal rates;
- expense inflation; and
- rate used to discount future cashflows.

Lapse and withdrawal rates

Lapses affect the valuation of Monarch's business because the non-unit reserve is based on the expected remaining duration of the in-force business: the longer the expected duration the greater the value of charges will be relative to expenses and hence the lower the non-unit reserve will be. Lapse rates are expressed as annual % by duration in force. The duration in force is measured from the date of policy inception. The assumed rates of lapse and withdrawal used at the end of the relevant financial year are consistent with the company's recent experience.

Expense inflation

Per policy expenses are assumed to develop as a function of the underlying policy type, covering in total the expenses of the company.

The inflation rate applied, in conjunction with projected new business growth, is set to ensure that the aggregate maintenance expenses grows in line with forecast expense growth and vice versa. Assumptions allow for the spreading of overhead expenses as the business grows.

Rate used to discount future cashflows

The Solvency II risk free yield curve as specified by EIOPA at the end of the relevant financial year has been used.

Valuation of the risk margin

The risk margin is the additional premium, over and above the best estimate, that another insurer might need in order to take on those liabilities. This value is a formulaic calculation prescribed by the Solvency II regulations based on the value of risk inherent in the insurance contracts written by Monarch.

To calculate a full risk margin would involve projecting Monarch's balance sheet and SCR calculation over the remaining lifetime. Simplifications are permitted and firms may choose the most appropriate simplification having regard to the nature, scale and complexity of their business. Monarch has chosen a simplification such that the SCR for each future year is approximated by projecting each element of the SCR separately using the key risk driver for the particular sub-risk being considered.

The amount of the SCR that is projected is based on a reference undertaking with no market risk. The loss absorbing capacity of technical provisions assumed in the reference undertaking is assumed to be same as that currently assumed to apply to Monarch's business.

The risk margin is calculated on the SCR after taking into account the management actions detailed in Section E2.

The risk margin is all attributable to life (unit-linked) business.

There are no particular uncertainties associated with the value of technical provisions other than those associated with the assumptions that are used to project future cashflows.

There are no material differences between the valuation for solvency purposes and the values that will be shown in the financial statements.

No use has been made of a matching adjustment.

No use has been made of a volatility adjustment.

No use has been made of the transitional provisions for risk-free interest rates.

No use has been made of transitional deductions from technical provisions.

D.3 Other liabilities

The company has current liabilities, principally accruals, of £204,738 (2019: £461,728) arising in the ordinary course of business. There are no other liabilities.

D.4 Alternative methods for valuation

No alternative valuation methods have been employed.

D.5 Any other information

The directors consider that all material information regarding Monarch's valuation for solvency purposes is disclosed in sections D.1 – D.4 above.

E. Capital Management

E.1 Own funds

The following table shows the amount of own funds at the 30 November 2020 valuation date.

	30 November	31 December
	2020	**2019**
	£000	**£000**
Assets	136,929	138,077
Technical provisions as a whole	132,520	133,445
Best estimate liabilities	(2,774)	(3,774)
Risk margin	688	1,515
Current liabilities	205	462
Own funds	**6,290**	**6,429**

Monarch reviews, as part of its regular ORSA process, the current and likely future capital position of the business over its normal 3 year planning horizon and whether there is a material risk that its solvency may be threatened. In the event that Monarch's projected solvency position is at risk, defined as not having sufficient capital resources to cover the Solvency Capital Requirement, then Monarch will draw up appropriate plans to rectify that position. These plans will be appropriate to Monarch's circumstances at the time but might include:

- Taking such management actions as may be anticipated within its SCR calculations.
- Reviewing and refocusing its strategic objectives and priorities.
- Re-pricing its contracts of insurance.
- Reviewing its expense base, including potentially closing to new business.
- Seeking a capital injection from its parent.

Monarch has a single fund and all capital is Tier 1. The following table details the composition of own funds at the valuation date.

	2020	2019
	£000	**£000**
Ordinary share capital	3,300	1,676
Surplus assets	2,990	4,753
Own funds	**6,290**	**6,429**

The amount of Tier 1 own funds at the reporting date is as set out in the table above. There are no restrictions on the use of own funds and this amount is available to cover the SCR and the MCR.

Own funds are principally represented by cash deposits and property, approximately 50% being denominated in sterling.

There have been no significant changes in own funds over the reporting period.

There are no material differences between the equity in Monarch's financial statements and the free capital for solvency purposes.

There are no items subject to a transitional arrangement.

There are no items of ancillary own funds.

There are no deductions from own funds and no restrictions on availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement at 30 November 2020 was £2,398,044 and the Minimum Capital Requirement was £3,186,921. As the SCR is lower than the MCR, it is the MCR that applies in calculating the company's solvency margin

The SCR split by risk module is shown in the following table. Figures are as at 30 November 2020 (with comparative figures for 2019) and shown after allowing for management actions.

Risk module	**Solvency Capital Requirement**	
	30 November	**31 December**
	2020	**2019**
	£000	**£000**
Market risk	1,762	1,832
Counterparty default risk	273	211
Life underwriting risk	851	2,142
Health underwriting risk		-
Non-life underwriting risk		-
Diversification	-648	-964
Basic Solvency Capital Requirement	**2,238**	**3,221**
Operational risk	160	164
Solvency Capital Requirement	**£2,398**	**£3,385**
Minimum Capital Requirement	**£3,187**	**£3,187**

There are no simplifications applied to the SCR calculation.

There are no undertaking-specific parameters used in the SCR calculation

The Minimum Capital Requirement for Monarch is the absolute floor equivalent to €3,700,000 which equates to £3,186,921 at 30 November 2020 (December 2019 - £3,186,921).

In the event of severe stress in adverse equity, currency and expense scenarios, it is assumed that management would take action to increase management charges to policyholders (where possible). In the event of a mass lapse scenario, it is assumed that the company would take action to reduce its expenses.

The increase in the Solvency Capital Requirement over the reporting period reflects increased exposure to lapse risk, primarily as a function of the new business plans and increased market risk as a result of improved asset data.

The SCR is subject to supervisory assessment.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital requirement

Monarch does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal model used

Monarch does not use an internal model.

E.5 Non-compliance with the Minimum Capital Requirement and the Solvency Capital requirement

Monarch has complied with the Solvency Capital Requirement and the Minimum Capital Requirement throughout the reporting period.

E.6 Any other information

The directors consider that all material information regarding Monarch's capital management is disclosed in sections E.1 – E.5 above.

Quantitative Reporting Templates
All figures are £000

General information

Undertaking name	Monarch Assurance SE
Undertaking identification code	213800U7DZIE2N6SN996
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	30 November 2020
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Quantitative Reporting Templates
All figures are £000

S.02.01.02

Balance sheet

	Solvency II value
	C0010
Assets	
Intangible assets	
Deferred tax assets	
Pension benefit surplus	
Property, plant & equipment held for own use	0
Investments (other than assets held for index-linked and unit-linked contracts)	2,633
Property (other than for own use)	0
Holdings in related undertakings, including participations	2,523
Equities	110
Equities - listed	110
Equities - unlisted	
Bonds	0
Government Bonds	0
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	0
Derivatives	
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	132,520
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	
Other loans and mortgages	
Reinsurance recoverables from:	0
Non-life and health similar to non-life	0
Non-life excluding health	
Health similar to non-life	
Life and health similar to life, excluding index-linked and unit-linked	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	0
Deposits to cedants	0
Insurance and intermediaries receivables	
Reinsurance receivables	
Receivables (trade, not insurance)	
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	1,317
Any other assets, not elsewhere shown	459
Total assets	136,929

Quantitative Reporting Templates

All figures are £000

	Solvency II value
	C0010
Liabilities	
Technical provisions - non-life	0
Technical provisions - non-life (excluding health)	0
TP calculated as a whole	
Best Estimate	
Risk margin	
Technical provisions - health (similar to non-life)	0
TP calculated as a whole	
Best Estimate	
Risk margin	
Technical provisions - life (excluding index-linked and unit-linked)	0
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - life (excluding health and index-linked and unit-linked)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - index-linked and unit-linked	130,434
TP calculated as a whole	132,520
Best Estimate	-2,774
Risk margin	688
Contingent liabilities	
Provisions other than technical provisions	
Pension benefit obligations	
Deposits from reinsurers	
Deferred tax liabilities	
Derivatives	
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit institutions	
Insurance & intermediaries payables	
Reinsurance payables	
Payables (trade, not insurance)	205
Subordinated liabilities	0
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	
Total liabilities	130,638
Excess of assets over liabilities	6,291

Quantitative Reporting Templates
All figures are £000

S.05.01.02

Premiums, claims and expenses by line of business

Life

	Line of Business for: life insurance obligations						Life reinsurance obligations		
	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	Health reinsurance	Life reinsurance	Total
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written									
Gross			8,367						8,367
Reinsurers' share			112						112
Net			8,254						8,254
Premiums earned									
Gross			8,367						8,367
Reinsurers' share			112						112
Net			8,254						8,254
Claims incurred									
Gross			9,721						9,721
Reinsurers' share									0
Net			9,721						9,721
Changes in other technical provisions									
Gross									0
Reinsurers' share									0
Net			0						0
Expenses incurred			2,220						2,220
Other expenses									
Total expenses									2,220

Quantitative Reporting Templates
All figures are £000

S.05.02.01

Premiums, claims and expenses by country

Life

	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		BE	FR	NO			
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
Gross	1,305	5,683	1,140	239			8,367
Reinsurers' share			103	9			112
Net	1,305	5,683	1,036	230			8,254
Premiums earned							
Gross	1,305	5,683	1,140	239			8,367
Reinsurers' share			103	9			112
Net	1,305	5,683	1,036	230			8,254
Claims incurred							
Gross	774	8,377		570			9,721
Reinsurers' share							0
Net	774	8,377	0	570			9,721
Changes in other technical provisions							
Gross							0
Reinsurers' share							0
Net	0	0	0	0			0
Expenses incurred	1,187	429	586	17			2,220
Other expenses							
Total expenses							2,220

Quantitative Reporting Templates
All figures are £000

S.12.01.02
Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole		132,520								132,520						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						
Technical provisions calculated as a sum of BE and RM																
Best estimate																
Gross Best Estimate			-2,774							-2,774						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0						
Best estimate minus recoverables from reinsurance/SPV and Finite Re			-2,774	0						-2,774						
Risk margin		688								688						
Amount of the transitional on Technical Provisions																
Technical Provisions calculated as a whole										0						
Best estimate										0						
Risk margin										0						
Technical provisions - total		130,434								130,434						

Quantitative Reporting Templates
All figures are £000

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)	3,300	3,300		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	2,991	2,991			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	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	0				
Deductions for participations in financial and credit institutions	0				
Total basic own funds after deductions	6,291	6,291	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
Unpaid and uncalled preference shares callable on demand	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Other ancillary own funds	0				
Total ancillary own funds	0			0	0
Available and eligible own funds					
Total available own funds to meet the SCR	6,291	6,291	0	0	0
Total available own funds to meet the MCR	6,291	6,291	0	0	
Total eligible own funds to meet the SCR	6,291	6,291	0	0	0
Total eligible own funds to meet the MCR	6,291	6,291	0	0	
SCR	2,398				
MCR	3,187				
Ratio of Eligible own funds to SCR	262.32%				
Ratio of Eligible own funds to MCR	197.39%				
	C0060				
Reconcilliation reserve					
Excess of assets over liabilities	6,291				
Own shares (held directly and indirectly)	0				
Foreseeable dividends, distributions and charges					
Other basic own fund items	3,300				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
Reconciliation reserve	2,991				
Expected profits					
Expected profits included in future premiums (EPIFP) - Life business					
Expected profits included in future premiums (EPIFP) - Non- life business					
Total Expected profits included in future premiums (EPIFP)	0				

Quantitative Reporting Templates
All figures are £000

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
Market risk	1,762		
Counterparty default risk	273		
Life underwriting risk	851		
Health underwriting risk	0		
Non-life underwriting risk	0		
Diversification	-648		
Intangible asset risk	0		
Basic Solvency Capital Requirement	2,238		

USP Key

For life underwriting risk:
1- Increase in the amount of annuity benefits
9 - None

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

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

Calculation of Solvency Capital Requirement	C0100
Operational risk	160
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency Capital Requirement excluding capital add-on	2,398
Capital add-ons already set	0
Solvency capital requirement	2,398
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

Approach to tax rate	C0109
Approach based on average tax rate	0

Calculation of loss absorbing capacity of deferred taxes	LAC DT
	C0130
LAC DT	
LAC DT justified by reversion of deferred tax liabilities	0
LAC DT justified by reference to probable future taxable economic profit	0
LAC DT justified by carry back, current year	0
LAC DT justified by carry back, future years	0
Maximum LAC DT	0

Quantitative Reporting Templates

All figures are £000

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
MCR_{NL} Result	0

	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		
Income protection insurance and proportional reinsurance		
Workers' compensation insurance and proportional reinsurance		
Motor vehicle liability insurance and proportional reinsurance		
Other motor insurance and proportional reinsurance		
Marine, aviation and transport insurance and proportional reinsurance		
Fire and other damage to property insurance and proportional reinsurance		
General liability insurance and proportional reinsurance		
Credit and suretyship insurance and proportional reinsurance		
Legal expenses insurance and proportional reinsurance		
Assistance and proportional reinsurance		
Miscellaneous financial loss insurance and proportional reinsurance		
Non-proportional health reinsurance		
Non-proportional casualty reinsurance		
Non-proportional marine, aviation and transport reinsurance		
Non-proportional property reinsurance		

Linear formula component for life insurance and reinsurance obligations	C0040
MCR_L Result	908

	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		
Obligations with profit participation - future discretionary benefits		
Index-linked and unit-linked insurance obligations	129,746	
Other life (re)insurance and health (re)insurance obligations		
Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation	C0070
Linear MCR	908
SCR	2,398
MCR cap	1,079
MCR floor	600
Combined MCR	908
Absolute floor of the MCR	3,187
Minimum Capital Requirement	3,187