Solvency & Financial Condition Report

Inceptum Insurance Company Limited

In respect of the reporting period ended
31 December 2021

Contents

Summary

This Solvency and Financial Condition Report has been prepared for Inceptum Insurance Company Limited ("the Company" or "Inceptum") in order to satisfy the requirements of Article 290 of the Commission Delegated Regulation 2015/35. It refers to the financial year ended on 31 December 2021. The Company forms part of the Randall & Quilter Investment Holdings Ltd. Group ("the Group").

The acquisition of the Company by the Group was agreed in August 2020 and completed, following regulatory approval, on 31 December 2020.

The Company has its origins as HSBC Insurance (UK) Limited ("HIUK"), a subsidiary of HSBC Bank plc ("HSBC"). HIUK wrote personal and commercial UK motor business until 2009, when a desire by HSBC to return to core business, combined with deteriorating results, led to the cessation of underwriting. A small volume of household and schools business was also underwritten.

In 2011 the business was acquired in its entirety by Syndicate Holding Corp. ("SHC"), a Puerto Rican holding company, and became part of the Vibe Group of Companies.

The Company has recorded a loss before tax for 2021 of £0.8m (2020: loss of £0.9m).

The Company's Net Assets have decreased in the financial year by 4.76% to £15,756k (2020: £16,543) with Gross Technical Provisions of £88,373k (2020: £87,761k) and Net Technical Provisions of £4,249k (2020: £4,573k) reported at 31 December 2021. The valuation of other liabilities together with further information regarding the valuation of assets and liabilities of the Company can be found in Section D to this report.

There have been no material changes to the Company's risk profile during 2021. Having ceased underwriting in 2009, reserving risk continues to present the most significant risk to the Company. The Company also faces potential financial risks through its financial and reinsurance assets. Further information regarding the risk profile of the Company can be found in Section C to this report.

The Company has been in full compliance of its capital requirements since the introduction of the Solvency II regime on 1 January 2016. The Company's SCR surplus at the reporting date was £4,746k (2020: £4,225k). The Company expects to remain in compliance. In 2021, the assumptions and methodology underlying the calculation of the eligible own funds and the SCR did not change significantly. Further details of the Company's capital management can be found in Section E to this report.

Notwithstanding the Company is managing 'run-off' liabilities, the Board, supported by Group resources remains committed to ensuring that the Company's System of Governance is appropriate and proportionate to the needs of the Company, that it is managed and directed by sufficient experienced and competent individuals and that there are sufficient human, physical and financial resources available to the Company to ensure it is able to meet its regulatory and statutory obligations

A: Business and Performance

A.1 Business

Name and legal form of Company

Name of Company:	Inceptum Insurance Company Limited
Legal Form:	Limited Liability Company
FRN:	203238
Registered in:	England & Wales
Registered Office:	71 Fenchurch Street, London EC3M 4BS
Registered No.:	03581552

The Host State Supervisory Authority (NSA) is:

Prudential Regulation Authority

The Group Supervisory Authority is:

Bermuda Monetary Authority

The contact details are as follows:

Trudy Trott
BMA House
43 Victoria Street
P.O. Box 2447
Hamilton HMJX
Bermuda

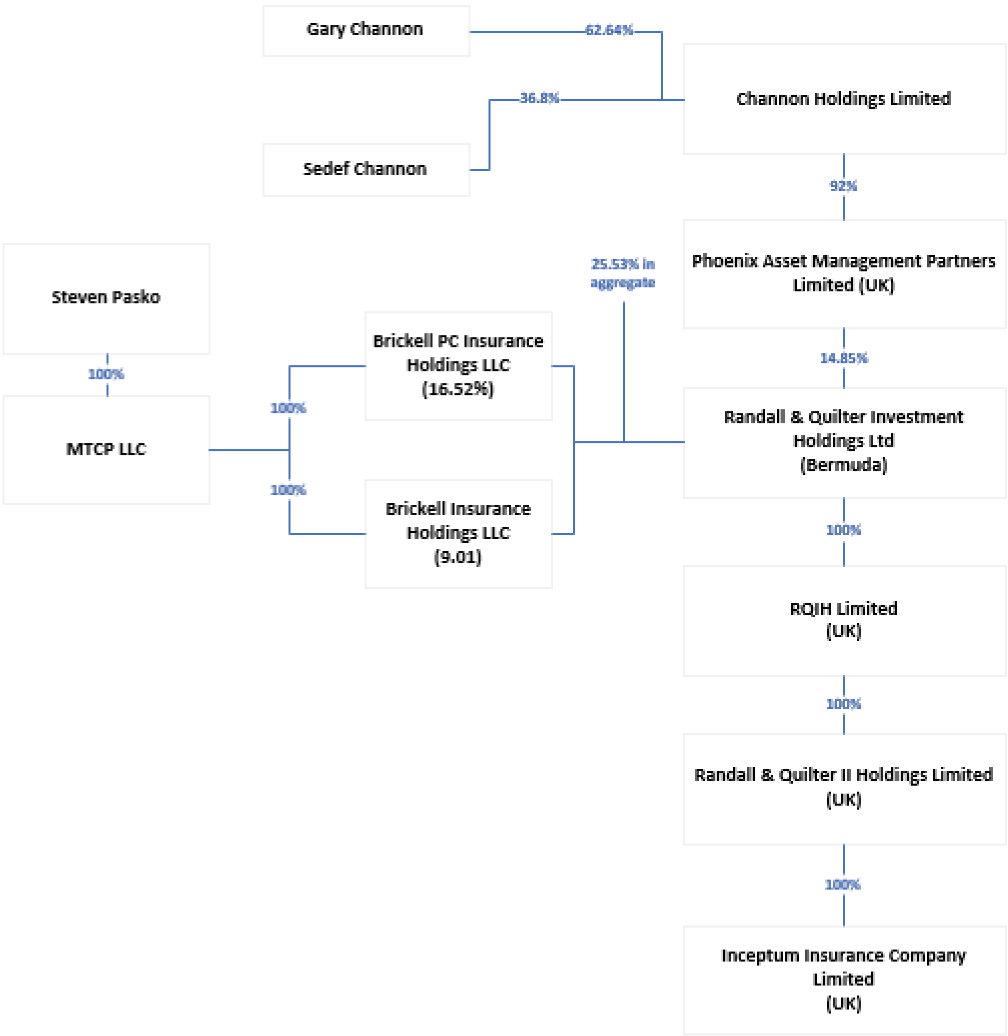
Tel: +1 (441) 295 5278
Fax: +1 (441) 292 7471

Name and contact details of Auditors:

PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London
E14 4HD

Telephone: +44 207 516 2200

Details of Legal ownership, beneficial ownership and voting rights all 100% unless indicated



A.2 Underwriting Performance

The key financial and other performance indicators prepared (under UK GAAP) during the year were as follows:

	2021 £'000	2020 £'000
Net claims paid	**441**	169
Technical account for general business	**(968)**	(1,245)
Investment return	**182**	354
(Loss)/Profit after tax	**(786)**	(891)
Shareholders' funds	**15,757**	16,543
Net technical provisions	**4,249**	4,573
Zero reserve claims	**31**	52
Number of outstanding claims	**50**	52

At 31 December 2021 there are 10 open Motor PPO claims and the possibility of PPOs being awarded on a further 3 claims with the total discounted Gross Reserve for these 13 claims being £88.4m. During 2021, 2 PPO claims have closed.

There are 6 open Motor non-PPO claims with a total discounted Gross Reserve of £0.6m.

An additional 31 settled claims remain 'open' due to potential recoveries from other involved parties with no estimate / value included within the 31 December 2021 position.

Existing Policyholders are located principally in the UK and there were no new premiums received during the year.

An analysis of the Technical Account Result before investment return is set out below:

2021	**Gross premium**	**Gross claims incurred**	**operating expenses**	**Reinsurance balance**	**Total**	**Net technical provisions**
General business	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Motor	-	(7,289)	(852)	7,173	(968)	(4,249)
Total	**-**	**(7,289)**	**(852)**	**7,173**	**(968)**	**(4,249)**
2020						
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Motor	-	2,814	(200)	(3,867)	(1,254)	(4,574)
Household	-	-	-	8	8	-
Total	**-**	**2,814**	**(200)**	**(3,859)**	**(1,245)**	**(4,574)**

A.3 Investment Performance

The Company earns interest on fixed income instruments, cash and cash equivalents as well as gains on fixed income instruments. Interest is accrued up to the balance sheet date.

All investment income, including realised and unrealised gains and losses on investments, is reported in the non-technical account and is all in GBP.

Investment return decreased slightly to £182k (2020: £354k) compared with the prior year due largely to a decrease in interest income on securities.

The Company's financial investments consist of listed investments and deposits with credit institutions of which £2.5m of funds have been pledged at Lloyd's treated as ringfenced under Funds at Lloyd's ("FAL").

All financial assets are classified at fair value through profit or loss.

There are no investments in securitisations.

	2021 £'000	2020 £'000
Non-technical account		
Balance on the technical account - general business	(968)	(1,245)
Investment income	223	236
Unrealised gains/(losses) on investments	12	165
Investment expenses and charges	(53)	(47)
(Loss)/Profit on ordinary activities before tax	(786)	(891)

A.4 Performance of Other Activities

Nothing additional to report

A.5 Any Other Information

All material information regarding the business and performance of the Company has been disclosed in section A.1 to A.4 above.

B: System of Governance

B.1 General Information on the System of Governance

B.1 Overview:

The Board of Directors recognises that it needs to be able to demonstrate that it has a system of governance which meets its regulatory expectations and is proportionate to the nature of the business, complies with existing requirements and is flexible enough to be able to adapt to changes in the regulatory and statutory environment. The system of governance is regularly reviewed and assessed to ensure it is appropriate given the nature, scale and complexity of the risks inherent to the Company.

The Organisation Structure of the Company as at 31 December 2021 is as follows:

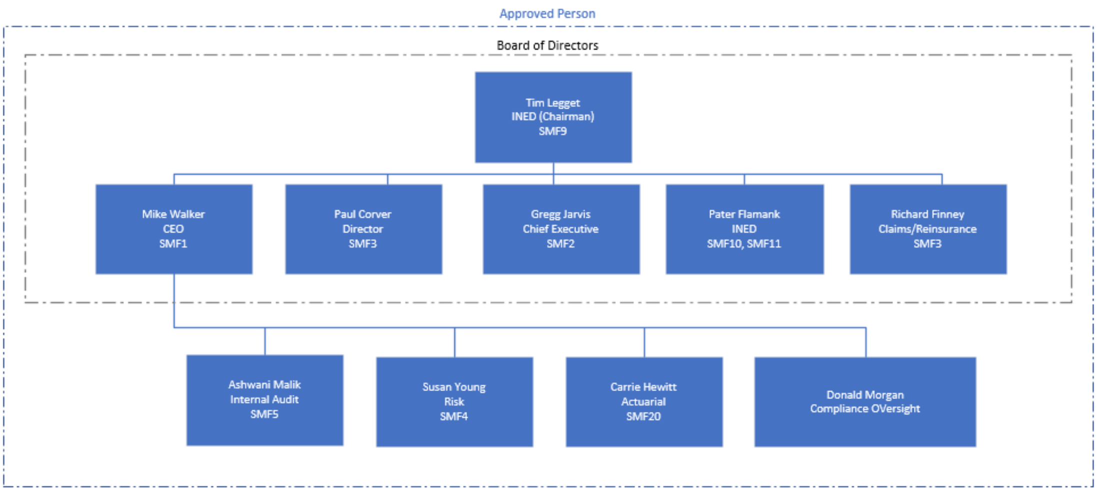
Board of Directors:

TJ Leggett	Chair of Governing Body (SMF 9)
PA Flamank	Non-Executive Director (Chair of Audit Committee SMF 11) (Chair of Risk and Compliance Committee SMF 10)
MS Walker	Chief Executive Officer (SMF 1)
GD Jarvis	Chief Financial Officer (SMF 2)
PR Corver	Executive Director (SMF 3)
RJ Finney	Executive Director (SMF 3)

Company Secretary: R&Q Central Services Limited

The Board meets quarterly and on an ad hoc basis. The key functions of the Board which is governed by its Terms of Reference are: Business Strategy; Business Plan; Culture; Risk Appetite; Investment Strategy; Company Policy Approval; Reserved Matters; to consider the status reports and proposals presented by Board Committees.

This is depicted through the following table:



The Board is supported by two Board appointed committees

- Risk and Compliance Committee

This Committee is composed of Peter Flamank, and Tim Leggett, with reportees from Risk Management, Compliance and Others as required. The Committee meets on a quarterly basis at least 1 week before the Board meeting.

The key functions of the Committee are to Oversee the management of Risk, in accordance with Risk Appetite; Monitor the effectiveness of the Risk Management framework; Review risks inherent within Business Plan and adequacy of mitigation controls; Oversight of Emerging Risks; ORSA approval; Approval of the annual Compliance Plan; Monitor the level of compliance with Company Policy, law & regulations and Oversee the actions taken to address non-compliance

- Audit Committee

Committee Composition

This Committee is composed of Peter Flamank, and Tim Leggett with reportees from Internal Audit, External Audit, CFO and others as required. The Committee meets on a quarterly basis at least 1 week before the Board meeting.

The key functions of the Committee are to Oversee the actions and judgements of management in relation to the Company's financial statements and operating and financial reviews (including significant accounting policies and practices, significant financial reporting issues, estimates and decisions requiring a major element of judgement, and the extent to which the financial statements are affected by any significant or unusual transactions in the period and how they are disclosed); Approval of the annual Internal Audit Plan; Monitoring of remedial actions taken to address matters identified by Internal Audit; oversight of whistleblowing procedure and case resolution.

The Board of the company is responsible for the oversight and governance of the run-off throughout the remaining period of the policies. No director has a conflict in acting as a director of the Company. The Board has also aligned the company to the requirements of the Senior Managers and Certification Regime ("SMCR").

The Company is managed by its Board of Directors. The day-to-day management of the business is the responsibility of the CEO. To the extent functions are intragroup outsourced from Group Companies, the CEO has overall responsibility for oversight and monitoring of the outsourced functions.

The Board appointed a new CEO (Paul Corver) in December 2021, subject to regulatory approval.

Changes in the System of Governance.

During the year the Company has strengthened its governance by segregating its Audit and Risk Committee into two separate committees. The Audit Committee is now separate to retain independence. Compliance is now included under the remit of the Risk and Compliance Committee. This added governance also ensures that there is consistency with Group Subsidiary structures and a two-way flow of communication and information.

Except for the changes indicated above, no significant changes in the system of governance, including the risk management system, occurred during the year under review.

Remuneration

Remuneration sits under the oversight of the Group Remuneration Committee. The Company is committed to ensuring that its practices promote the achievement of the overall aims and objectives of the Company, its financial stability and its risk management framework. The Company's Remuneration Policy is formulated to attract and retain high-calibre individuals and to motivate them to develop and implement the Company's business strategy in order to optimise long-term shareholder value creation whilst ensuring that no excessive risk taking on the part of the individuals is instigated.

Independent Non-Executive Directors are remunerated on a fixed fee basis only, which is based on experience, responsibilities and level of time commitment.

B.2 'Fit and Proper' Requirements

The Company is directed and managed by a sufficient number of individuals who are fit and proper persons to hold their respective positions and which meet inter alia the following criteria:

- Be professionally competent and capable to carry out their responsibilities and have demonstrated this through their experience and training;
- Be honest, have integrity and are reputable.

The assessment of the management and technical competence of an individual is based on their previous experience, knowledge and professional standing, which demonstrates due skill, care, diligence, and compliance with the relevant standards of the area/sector they have worked in by reference to the relevant role description.

In relation to Director Appointments, the assessment also considers how the proposed appointment would augment the collective fitness and proprietary of the Board as a whole.

The assessment of reputation includes checks as to whether there are any reasons to believe from past conduct that an individual may not discharge their duties in line with applicable rules, regulations and guidelines. Assessment is initially made prior to appointment to their role, and is reassessed on a regular basis as part of an annual performance review process.

On an annual basis, the Compliance Function initiates a fit and proper assessment process by which all directors and Senior Management Function holders are asked to complete an internal questionnaire to confirm they are still fit and proper for purpose. Any training needs are identified and addressed. The Board of Directors collectively assess the results. In addition, a Board and Committee Evaluation is carried out to ensure there is no knowledge gap in the Board and Committees compositions.

B.3 Risk Management System including the Own Risk and Solvency Assessment

The Company's risk management framework seeks to support its business strategies; enabling it to select those risks that can enhance value creation, closely manage those risks that are unrewarded; optimise and protect its capital base; support decision making and protect its reputation and brand.

The Board ensures that the business implements risk policies, delivers the business plan within risk appetite and manages the Company's risk profile.

This is achieved through a combination of quantitative and qualitative risk management, realised through a mature risk culture, effective risk governance and risk transparency.

Risk Management strategies and processes

The Company adopts the Group risk management framework which forms an integral part of the management and Board processes. This framework enables the Board to draw assurance that the risks to which the Company may be exposed to, are being appropriately identified and managed within its risk appetite, and that any risks that may present significant financial loss or damage to the Company's reputation are being minimised. This helps to ensure that the achievement of the Company's performance and objectives is not undermined by unexpected events.

Risk Governance and Culture

To achieve its mission and goals, there is a strong 'tone at the top' that emphasises the importance of effective risk management, with operational management accountable for embedding risk in their own areas. The Group continues to adopt the "three lines of defence" governance model, both at Group and Company, of which the Risk Management Function forms part of. This is illustrated and explained below:

First Line of Defence

The first line of defence has primary decision-making authority at the "coalface", and accordingly its focus is as follows:

- Operational decision making to execute and implement the Company's strategic objectives;
- Facilitation and oversight of the Company's business plan, including delivery against predetermined goals;
- Day to day management of business activities;
- Management of the risk profile of the business, in line with Board and stakeholder expectations.

The first line of defence includes the Board. In this context, the Board has ultimate accountability for risk management, the related control environment and for approving and reviewing any relevant risk policies, including risk appetite frameworks. In practice, responsibility is devolved to the relevant executive/functional committees and/or Company risk committees and Boards.

Risk owners retain overall responsibility for managing the risks for which they are the designated owner, including those risks where some or all of the controls in place have a separate control owner (i.e. the operation of the control is in the charge of another manager).

Second Line of Defence

The second line of defence provides a key input into tactical and strategic decision making, and its overall focus is on the following:

- Provision of assurance to the Board that the risk profile, as represented in the risk register or otherwise, and the associated internal control framework is in line with Board and stakeholder expectations. Where it is not, appropriate actions with owners and timescales are proposed to bring it back into line with those expectations.

- Escalation of all material risk issues to the Risk and Compliance Committee and further to the Board, and where appropriate, the Group Risk & Compliance Committee and RQIH Board.

- Provision of input, challenge and oversight of first line decision making where appropriate, i.e. the input of risk and capital information to aid effective decisions.

Third Line of Defence

The third line of defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the risk management and internal control system.

The Internal Audit Function is sourced in house within the Group and supplemented with third party professional resources as and when appropriate. It is responsible for independently assessing the effectiveness of the risk management processes and practices and for providing timely objective assurance on the control of risk.

Internal audit activity is carried out in accordance with an annual pre agreed audit plan.

Risk Transparency

Underpinning the three lines of defence is risk transparency within and across the Group. This involves raising awareness and understanding of risk across the Group, effective reporting of risk internally and appropriate disclosure risks to all interested stakeholders, internal and external.

Risk Appetite Framework

The Board recognises that a well-defined risk appetite supports business decision making and planning. The Board reviews and sets the risk appetite at least annually, and when there is a significant change in business strategy. Key risk indicators which support the risk appetite statements are monitored and reported on quarterly.

The risk appetite framework sets the boundaries within which risk taking should remain in order to meet the expectations of the capital providers and other stakeholders. For Inceptum, this is articulated via a series of quantitative and qualitative statements covering all categories of the risk universe (see 'Risk & Control Management Process').

Risk Policies

The Company adopts the Group's risk policy structure, tailoring the policies in regard to regulatory requirements, the Company's risk profile and the principles of proportionality. The Company's risk policies determine the way in which risks are to be managed and controlled. The Board ensures that the policies are reviewed regularly, at least annually, to reflect the changing business and regulatory environment.

The Risk Management Function together with the respective business owners, Risk and Compliance Committee and Board, considers the applicability and magnitude of the relevant risk to the Company when deciding whether a specific policy is required. This assessment process takes in to account the Company's business profile and the local market and regulatory environment context.

Risk & Control Management Process

A key element of effective risk management is to ensure that the business has a complete understanding of the risks it faces.

The following diagram shows the risk management cycle, demonstrating the iterative nature of the risk management process, and is followed by a high-level explanation of the key steps and processes involved.

The identification, assessment, control/mitigation and monitoring of risk are continuous processes.

Risk Identification

The process begins with the identification of risks and an analysis of the nature of each risk. Managers within the outsourced providers (predominantly the Group) are involved at this stage of risk management, whether for new or existing risks. The aim is for all involved to be aware of the risks to the business objectives and to be able to highlight any new risks that may be developing over time or changes in existing risk levels such that they are reported and responded to appropriately. All identified risks are recorded on the risk register which record the likelihood of occurrence, the expected impact and the controls and mitigations. The risk register is a 'live' document and is updated each time a risk/mitigant/control is identified or changed.

Risk Assessment and Quantification

Following on is the assessment of the likely frequency and severity of risks, by means of qualitative or quantitative measurement. This stage of the cycle involves the participation of the risk and delegated owners.

Risk Control and Mitigation

The level of each risk must then be managed or controlled down to a satisfactory level. This stage will not only involve both risk and control owners within the Company but also many other Group functions that are involved in undertaking control activities.

Reporting

It is critical that the relevant information for each key risk is seen by the "right people at the right time" across the Group. This information is most likely to be provided by risk and control owners as they are closest to the issues and is reported on a regular, timely and consistent basis. Reporting is consolidated and/or reviewed by the Group's Risk Management Function and then escalated up to senior management.

Review

Once the key business risks have been identified, assessed and are subject to controls throughout various parts of the business, it is important to review that these control/mitigation activities are operating effectively and that the risk and control scoring is valid. Assurance is provided over risks and controls by resources which are independent of line management, e.g Group's Risk Management or Internal Audit Functions and local entity Risk and Compliance Committees and/or The Boards.

Stress and Scenario Testing

The Company will undertake stress and scenario testing (including reverse stress testing) periodically, having regard to the likely impact on the organisation at varying return periods. The aim is to gain a better understanding of the risks faced by the Company.

The results from stress and scenario tests provide an important input to the Own Risk Solvency Assessment processes and the validation of the Company's regulatory capital.

Own Risk and Solvency Assessment ("ORSA")

The ORSA process is fundamentally a continuous, embedded, forward-looking process, requiring the assessment of the entity's needs over a longer time planning horizon than the solvency capital requirement ("SCR"). The ORSA planning horizon is required to be three to five years. Furthermore, the ORSA is required to look at a range of outcomes in addition to the 1-in-200 return period.

Identification of ORSA Trigger

The ORSA will normally be triggered by the annual business planning cycle. However, a planned / unplanned change to business strategy/ or risk profile which falls materially outside the scope envisaged in the rolling three-year plan either qualitatively (e.g. entry into new markets) or quantitatively may constitute a trigger if deemed sufficiently material by the Board. This may include:

- A planned or unplanned material change to the business strategy and / or risk profile.
- A projected change in liabilities over a plan year exceeding the level planned in the rolling three-year plan by greater than 50%.
- Concerns as to the appropriateness of the standard formula for setting the SCR.
- An actual or anticipated breach of requirements in relation to capital & solvency as set by generic regulation and / or as specifically agreed with regulatory bodies.
- An actual or anticipated breach of the SII technical provisions requirements.
- Any reassessment of the SCR related to the transfer of a new portfolio not already included in the planned period
- Any external event that may materially impact the business plan.
- Any actual or anticipated breach of regulatory requirements (generic regulation or specific individual arrangements), or other material issue that would reasonably be of significant interest to the supervisory authorities, should be notified without delay and a plan agreed for

resolution. Such a plan may include, subject to discussion with the PRA, a resubmission of one or more elements of the ORSA report.

ORSA Annual cycle of activities and responsibilities

- Management will approve the commencement of the ORSA process.
- Assessment of Potential Capital Impacts - This stage comprises the main part of the ORSA process and involves the assessment of capital needs based on the triggers identified.
- The assessment should explicitly consider the inter-relationship between the following:
  - The proposed business strategy.
  - The Solvency Capital Requirement.
  - The material risks that the business faces over the ORSA planning horizon.
  - The planned and stressed return on capital in relation to the Board's Risk Appetite.
  - The actions that could be taken to address identified risks or breaches of Risk Appetite.

- Production of the ORSA report - The ORSA report is based on a standard pro-forma that follows the annual ORSA process. Where a periodic ORSA report is produced, some of the categories may not be applicable in that particular instance, e.g., if there has been no material impact in that area. If that is the case this is explained.
- The production of the ORSA report is coordinated by the Group Chief Risk Officer and the Risk Management Function.
- The report provides an assessment and recommendation of capital needs given a range of outcomes over the 3-year planning horizon.
- Board review and approval - The Board, following recommendations from the Risk and Compliance Committee, reviews and approves the report and in particular the confirmation statement on the risk profile, assessed capital needs and the adequacy of the processes underpinning this. The Board and the Risk and Compliance Committee are responsible for providing constructive challenge as it deems necessary on both the process and the output from it.
- ORSA finalisation - Once the Board has conducted its review and provided whatever challenge deemed necessary, the report and the process are finalised.
- Feedback loop -Although each ORSA process is separate and distinct, one of the principal outputs from it is a series of actions and decisions. Documented actions, decisions, owners and timescales from the ORSA process forms one of the principal inputs to the subsequent ORSA. In particular, these include decisions relating to strategy, risk and capital and changes thereto.

How the ORSA is reviewed and approved

The Company's ORSA process is owned, steered, and challenged by the Board (delegated to the Risk and Compliance Committee) through the review and approval of those individual processes and outputs that underpin it. The primary elements of the capital & solvency assessment are core to the consideration in the growth of the legacy business and new portfolio transfers and are required by both the Board and the Regulator prior to approval of same. The process is supported by Inceptum's outsourced Actuarial, Risk and Compliance services.

B.4 Internal Control System

Internal Control is defined as a process effected by the Company in relation to its organisational structure, work & authority flows, personnel & management information systems that is designed to help it to meet its specific goals or objectives.

The Company is committed to operating an effective internal control system with the following objectives:

- Effective and efficient operations
- Available & reliable financial and non-financial reporting
- Compliance with relevant legislation and regulations

An effective internal control system is fundamental to the successful operation and day-to-day running of the Group's business, particularly as its activities expand.

Constituent Elements of the Internal Control Framework

The Company has an Internal Control Framework for the identification, measurement, management and monitoring of internal controls.

Linkage with Risk Management Framework

The Internal Control Framework is linked with the Risk Management framework through each Risk in the Risk Register being allocated a series of mitigating controls, to bring the overall risk ratings to a level which are acceptable to the organisation, i.e. are within Risk Appetite and Tolerance limits.

Roles and Responsibilities

Roles and responsibilities of the various Committees are set out in detail in their respective Terms of Reference ("TOR").

Roles and responsibilities of the Risk and Control Owners (being the key players within the Internal Control Framework) are, detailed in the Group Risk Policy.

Review of On-Going Appropriateness

The Internal Control Framework, along with the Risk Management Framework, is reviewed at least annually by the Group Risk Committee.

Operating Policies and Procedures

The Company has a comprehensive suite of Policy and Procedural documentation for each of its functional areas. The Governance function owns these documents and is responsible for reviewing

B.5 Internal Audit Function

The Company's Internal Audit ("IA") function provides independent assurance to the Audit Committee and Management that the organisation's risk management processes and control framework are operating effectively and efficiently, and that there is compliance with the Company's policies and procedures. In this regard Internal Audit liaises with the Compliance and Risk Management Functions.

Authority

The IA Function, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any of the Company's records, physical properties, and personnel pertinent to carrying out any assignment.

All employees are required to assist the IA Function in fulfilling its roles and responsibilities, and to engage openly and constructively with GIA and disclose information relevant to their work.

The Head of Internal Audit ("HIA") also has the right to attend and observe all or part of Executive Committee meetings and any other key management decision making forums (as may be required from time to time). In the event management is uncomfortable with IA's access to certain documents requested, the HIA must bring such matters to the attention of the Chairman of the Company's Audit Committee, to assist with the information being released.

Reporting Lines

The primary reporting line for the HIA is to the Chair of the Company's Audit Committee. The Audit Committee is responsible for the appointment and removal of the HIA.

The HIA:

- Communicates and interacts directly with the Audit Committee and has direct access to its Chair and members in between Audit Committee meetings;
- Has the right of access to the Company's Chair and to any of its directors; and
- Has the responsibility to report promptly any significant issues to the Audit Committee and has direct access to the Chairs of the Group's Board and Audit Committee.

All internal auditors have an exclusive reporting line through to the HIA.

Independence

IA is independent of the Company's other functions, including those responsible for risk, compliance, governance and finance. All other functions may be subject to audit. IA will therefore neither be responsible for, nor part of, Risk Management, Governance, Compliance or the Finance function, nor perform any function that is the responsibility of management.

The HIA will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit Function.

IA has a process for managing and reporting conflicts of interest and there are safeguards to limit any impairment to independence or objectivity.

IA is a Group function. As such, no member of IA is employed by the Company or has any element of their remuneration directly linked to the results of the Company.

External Quality Assessment

At the request of the Group Audit Committee, and in accordance with best practice, IA is subject to a periodic External Quality Assessment. Such a review was undertaken in 2021 and IA's independence and its operation in conformance with the International Professional Practices Framework of the Institute of Internal Auditors was confirmed.

Internal Audits Completed

In 2021, Internal Audit issued three final audit reports on Inceptum's operations and those of its service providers. A further four audits were still in progress at the end of the year. Two reviews relevant to Inceptum's operations were postponed to 2022.
All internal audit reports are presented to the Inceptum Audit Committee in full.

All draft reports are discussed with management to confirm their factual accuracy and the suitability of their proposed actions to address the issues raised. IA tracks all actions and provides reports on the status of all open items to the Audit Committee.

Internal Audit Plan

An internal audit plan is developed based on IA's independent risk assessment and prioritisation of the Audit Universe, including the input of senior management, the Board and regulators. The plan, which covers the period 1st of January to 31st of December, is submitted to the Audit Committee for approval. It is based on a three-year strategic cycle, as agreed with the Audit Committee, whilst maintaining flexibility to adapt to the business' needs as each year progresses.
The plan for the reporting period detailed the specific internal audits Inceptum would be subject to in the three years 2021 to 2023 inclusive. The rolling plan was approved by the Audit Committee and includes specific audits of the Company's operations as well as audits of other Group operations that service the needs of Inceptum. The audit plan is reviewed quarterly and is based on the risk exposure to the business.

B.6 Actuarial Function

The overall purpose of the R&Q Actuarial Function ("Actuarial Function" or "AF") is to take the leadership role in establishing and implementing the organisations' Actuarial analyses and reporting, and to manage and coordinate the Actuarial activities across reserving, pricing, capital modelling, commutation support, acquisitions and other areas designated within the AF's scope.

The AF consists of the Group Chief Actuary supported by the Actuarial and the Management Information Team. The AF encompasses the Actuarial activity for all entities within the R&Q Group. The detailed responsibilities of the AF are as follows:

Reserving

The AF is responsible for the preparation of a quarterly review of reserves held by Companies owned and managed by the Group.

Technical Provisions ("TPs")

The AF is responsible for the preparation of the Solvency II TPs held by those Companies owned by the Group where the calculation is required. The AF provides recommendations to the respective Boards.

Note that the degree of underlying analysis and validation will be applied proportionately depending on the particular iteration of TPs being prepared.

Pricing

The AF will be responsible for providing pricing support as required.
The AF will contribute to the process of Price Adequacy and Rate Monitoring as required

Capital Modelling

The AF will be responsible for providing capital models in support of Solvency II or other regulatory regimes and for ad hoc requirements such as company acquisitions, capital allocation and Part VII transfers.

The AF will conduct the calculation to assess the adequacy of solvency capital for regulatory purposes and advise the relevant committee accordingly. It has confirmed the Company's SCR cover as at 31 December 2021.

Solvency II – Risk Management Framework

The AF contributes to the effective implementation of the risk management system in particular with respect to the risk modelling underlying the calculation of the capital requirements in the Standard Formula ("SF") and ORSA. The AF's contribution to risk management systems will also include certain aspects of risk assessment that include an element of statistical quantification.

Commutations

The AF is responsible for providing the allocation of reserves to provide the necessary benchmarks to assess the potential profitability of proposed commutations, buy backs or special settlements.

Acquisitions

The AF will support any acquisition work by providing views on the level of reserves required, payment patterns and capital indications.

Management Information

The AF is responsible for providing a report to the relevant the Group Company Board and supervisory bodies as required, at least annually, covering how it has satisfied its responsibilities in respect of the Solvency II regulations, corresponding to:

- Technical Provisions
- Opinion on Underwriting Policy
- Opinion on Reinsurance Arrangements

- Contribution to Risk Management.

Professional Standards

The production of Actuarial reports will be governed by the standards issued by the Board for Actuarial Standards (in respect of technical standards), The Institute and Faculty of Actuaries (for ethical standards) and EIOPA or the regulator for Solvency II.

B.7 Outsourcing

The Board of Directors of Inceptum retains ultimate responsibility for discharging its obligations irrespective of whether or not the functions or activities of Inceptum are outsourced to another party in the context of Group protocols.

The outsourcing of a material business activity to another party requires the Company to consider certain additional factors to ensure that the activities to be undertaken by the outsourced service provider meet the Company's business and regulatory requirements.

The Company follows the Group's outsourcing protocols, which are periodically updated and approved by the Board. The Group Head of Governance is responsible for implementing the outsourcing policy and the Board must approve a decision to outsource an activity that is material strategically to the Company's operations. Otherwise, the authority to enter into an outsourced agreement is delegated to a Director of the Company. In all instances, the proposal to outsource a service is supported by a business case and the Board will have regard to the impact on the overall risk profile and business strategy of the Company and Group in reaching its decision to approve the outsourcing.

Although the Risk Management Function will widen the annual assessment beyond performance to also consider the risks involved and ensure these remain within risk tolerances. There is a formalised Management Services Agreement.

B.8 Any Other Information

Ancillary to the above is the Group's approach to Remuneration which is based on personal, Subsidiary and Group performance. The Company does not have full time staff with the management and administration undertaken by the Group covered by the Service Level Agreement. The Group's approach to remuneration falls under the oversight of the Group Remuneration Committee. The Company is committed to ensuring that its practices promote the achievement of the overall aims and objectives of the Company, its financial stability and its risk management framework together with the long-term security and wellbeing of its employees.

The R&Q Group provides and will continue to provide appropriate and proportional Governance and control functions.

Material Change in the System of Governance

Except for the changes indicated in Section B.1, no significant changes in the system of governance, including the risk management system, occurred during the year under review.

C: Risk Profile

The Company operates proportionate processes for identifying, assessing, monitoring, managing and reporting risks faced in both the short and medium / long term.

In conjunction with the Group, the Company maintains a risk register recording the results of its risk & control self-assessment process providing for an assessment of risk across defined categories.
The risk register includes assessments both of those risks considered covered by own funds and those that are not (for example, liquidity risk) and details the controls applied to the management of these risks.
Material risks or material changes in the perception of actual or potential future risk arising will be reported to the Board together with recommended actions as appropriate.
Risk management is a core process within the Company's ORSA policy and is explained in greater detail above.
The Company faces risks spanning a range of categories including, but not limited to, those categories of risk that are encompassed by the SF and for which the holding of capital is considered an appropriate response.
The Company considers risks within the following categories:

- Insurance Risk (including Reserve risk)
- Market Risk
- Credit Risk
- Liquidity Risk *
- Operational Risk (including Regulatory and Legal risks)
- Strategic Risk *
- Group Risk**

*Liquidity Risk, Strategic Risk and Group are not explicitly considered by the Standard Formula SCR
*** The material Group Risks that the Company is exposed to have been covered by Market Risk and Operational Risk*

The detailed definitions of these categories of potential risk and the sub-categories of risk that underpin them are provided in the Company's risk management policy and the Group's risk management processes and procedures. The documents support both the initial identification of actual risk, the assessment of the completeness of the risk register and the consideration of the appropriateness and coverage of the capital requirements. The risk appetite framework consists of a series of qualitative statements and quantitative risk measures.

There are a number of risks that are inherent in the Company's portfolio:

C.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims including claims inflation. Accordingly, the objective of the Company is to ensure that sufficient reserves are available to cover its liabilities. The main insurance risks which impact the Company are:

Claims risk

The risk that claims are not appropriately adjusted or handled either by the company or its third-party claims handlers, leading to missed payments, delays in overall settlement and potential leakage of claims.

Management and Mitigation:

The Company has outsourced its claims handling to a specialised service provider who is contracted to investigate and adjust all claims. Claims are reviewed individually on a regular basis. The Company actively manages and pursues early settlement for claims to reduce its exposure to unpredictable developments.

Reinsurance risk

The risk that the reinsurers will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover, especially given the long-term nature of these risks. Indexation of the Company's reinsurance retention will also affect the amount of reinsurance recoveries that may be claimed for periodical payment orders (PPOs) over time.

Although the Company has reinsurance arrangements, this does not relieve it of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Management and Mitigation:

The reinsurance protections in place are with rated security, with circa. 88% being with A+ rated companies, with amounts recoverable from reinsurers calculated in accordance with the reinsurance contracts, and in a manner consistent with the gross outstanding claims provisions. The status of the reinsurers is subject to frequent monitoring.

The Board will approve the reinsurance assumed at the time a portfolio of business is written. In addition, the Board could decide to purchase additional reinsurance should it feel it appropriate to do so. Furthermore, the Board could also decide to commute certain treaties should it be considered beneficial to do so.

Reserving risk

The risk that the provisions established by the Company prove to be inadequate. The majority of the Company's claims reserves relate to claims which are subject to PPOs. PPOs require the Company to make regular and variable payments for many years to come. The key uncertainties arising from PPOs currently in payment relate to inflation risk of future claim payments, the future long-term investment return on the assets backing the reserves and longevity (longevity risk) of the claimants.

There is additional uncertainty regarding the possibility of new PPOs being awarded on claims which are currently classed as 'potential PPOs'. This possibility may be impacted by changes to the regulatory and legislative environment.

Management and Mitigation:

The risk exposure is mitigated by using methods to assess and monitor reserve risk exposures. The Company also has reinsurance as part of its risk mitigation programme. In addition to the reserving methodology in place on the known outstanding claims, the Company uses the services of professional actuaries to assist in the determination of the reserves that the Company holds.

C.2. Market Risk

The Company is exposed to market risk, through its financial assets, financial liabilities and insurance assets and liabilities. The key risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The investment strategy of the Company is managed by the Board and by implementing detailed investment guidelines. Investment performance is regularly monitored against market-based benchmarks.

The risk management policies employed by the Company to manage these risks are outlined below:

Interest Rate Risk:

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The Company manages this risk by implementing detailed investment guidelines. Investment performance is monitored against market-based benchmarks.

Inceptum's investment portfolio is managed by a highly experienced investment manager, Conning Investment Management Company ("Conning"), within agreed guidelines.

Spread Risk:

The risk relates to the Company's investment in bond funds and Group loans and reflects potential volatility in credit spreads over risk free rates. Management structures are in place to monitor all the Company's overall market positions and are reviewed on a quarterly basis by the Board. Detailed investment guidelines are in place with investment performance regularly monitored against market-based benchmarks

Currency Risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. There is no currency risk in the Company as all the assets and liabilities are held in sterling.

Equity Risk

The risk relates to an investment in support of FAL requirements for the Group's Lloyd's corporate member. The funds backing the FAL have been modelled as a ringfenced fund. Although these assets are invested in a bond portfolio identical to Inceptum's other bonds, the net asset value of the fund has been modelled as a standard equity investment in unlisted equity which gives a more prudent charge.

Concentration Risk

This risk relates to the default of individual counterparties including equities, bond funds, intra-group loans and properties. The Company mitigates any concentration risk by spreading investments over multiple counterparties.

Prudent Person Principle

The Company's management ensures that its assets are invested in accordance with the investment guidelines, following external advice from service providers where required. The company monitors compliance with investment guidelines on a quarterly basis to ensure assets are being invested in accordance with prudent person principles.

C.3 Credit Risk

The risk of decreases in value when counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents
- Reinsurers' share of technical provisions

Reinsurance credit risk is by far the most material risk that Inceptum is exposed to. This is because most of Inceptum's claims have breached retention and gross reserves are much larger than net reserves; and are therefore material in the context of capital levels and net reserves. Reinsurance credit risk is also increased by PPO's which will be paid over a claimant's lifetime, which means that Inceptum relies on reinsurers' longevity. Whilst the exposure reduces over time; the risk of default (or probability of default) increases over longer time horizons.

Management and Mitigation:

The Company will place limits on the level of credit risk undertaken from the main categories of financial instruments. These limits will also give due consideration of the solvency restrictions imposed by the relevant regulations. The investment strategy of the Company will consider the credit standing of its respective counterparties and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting, as far as possible, its exposure to a single counterparty or groups of counterparties. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.

There is a risk of reinsurers defaulting on recoverable balances and financial institutions holding the Company's cash assets defaulting. Reinsurance recoveries are evaluated each quarter for credit risk and existing bad debt provisions are evaluated as to adequacy. In addition, Inceptum's reinsurance is placed with largely A+ and above rated companies.

Prior to the Company's acquisition by the Group, Inceptum had established a very good relationship with its reinsurers, and this has continued into 2021. There have been no recoverability issues and excess of loss reinsurers have continued to settle the claims promptly as and when the claims fall due.

PPOs may require the business to make regular payments for many years to come, and there is therefore a potential risk that one or more of the Company's reinsurers may encounter financial problems some years into the future and therefore be unable to meet their obligations.

The Board believes that significant adverse credit risk development is unlikely. In making this assessment, the Board has considered the run-off of the Company, the security ratings of each reinsurer or reinsured, and the likely attitude of those from whom amounts will become due.

The Company recognises that the majority of its counterparty exposure is in respect of contracts over which it has no direct control and will therefore initially assess potential exposures and concentrations as part of due diligence in advance of accepting a new portfolio. In respect of run-off portfolios, the Company continues to monitor known significant concentrations of exposure to individual counterparties and considers the use of commutations (potentially on unfavourable terms) and / or the use of additional adverse development covers to mitigate the potential risk of default.

C.4 Liquidity Risk

The risk that cash may not be available to pay obligations when due at a reasonable cost. The Company is exposed to regular calls on its available cash resources mainly from claims arising from insurance contracts.

Managing and Mitigation:

The cash position of the Company is monitored on a regular basis to ensure that sufficient funds are available to meet its liabilities as they fall due.

Funds required to meet immediate and short-term needs are invested in short term deposits. Funds in excess of short-term needs are managed by external fund managers whose performance is closely monitored throughout the year.

C.5 Operational Risk

The risk that the Company is adversely affected because its outsourced service providers, including intra-group services, fail to meet their service level agreements. The Company has regular formal performance review meetings with major outsourced service providers and measures against service level agreements, both internal and external.

Regulatory and Legal Risk

Changes in regulatory or legal environments leading to a change in the portfolio's liability profile and regulators not having sufficient resource available to review and approve portfolio transfer applications in the timeframe predicted by the business. The Company has regular meetings with its regulator and closely monitors legal developments in involved jurisdictions and any regulatory pronouncements.

Outsourcing Risk

The risk that the Company is adversely affected because its outsourced service providers, including intra-group services, fail to meet their service level agreements. The Company has regular formal performance review meetings with major outsourced service providers and measures against service level agreements, both internal and external.

Business Continuity Risk:

The risk that an external event affects the operation of one or more of the Group's offices. The Company benefits from the Group's business continuity and disaster recovery plans which are regularly tested.

Cyber Risk:

The risk that the Company is adversely affected by data loss, theft of Intellectual Property or financial loss as a result of cyber-attacks. The Company outsources the management of its IT and Cyber security to R&Q Central Services Limited (UK) who employs a Chief Information Security Officer responsible for ensuring that the threat of a cyber-attack is minimised. Various software and controls are deployed to mitigate the threat including, but not limited to:

- Varonis for data management
- AlienVault for intrusion detection system (IDS)
- Mimecast for email management for prevention and protection against phishing spam etc.
- DMAC through Mimecast for domain authentication, anti-spoofing and anti-impersonation.
- Cybergraph through Mimecast for Phishing and spam notification banners to end user emails
- MFA for multifactor authentication for Office 365
- SNOW for hardware and software asset management
- Kiteworks for secure file transfer
- McAfee for anti-virus and endpoint protection
- Signify for 2FA for remote access
- Penetration testing for vulnerability management
- Darktrace using AI and machine learning with automated responses for prevention and remediation of risks and threats.

In addition to the above, the Company is engaged in a specific Group led project to look at its operational resilience, results of which will be available in H1 2022

C.6 Other Material Risks

There are three risk categories not explicitly considered in the Standard Formula SCR, being liquidity (mentioned above), strategic and group risk. It is the view that the capital that would be held for these categories of risk would be immaterial as a proportion of the company's overall capital, and these risks are managed in the risk framework in the same way as the other risk categories by operating appropriate controls to reduce the inherent risk to an agreed residual level.

Strategic Risk

The material strategic risk the Company faces is the potential inability to identify and complete the purchase /transfer of suitable run-off books of business in--line with its business plan, either due to a lack of pipeline of new deals, regulatory constraints, or other considerations. This risk is mitigated through the use of a dedicated team to seek new business, and regular interaction with the regulator. The risk is actively reviewed and there is an intensive and thorough due diligence of potential deals.

Group Contagion Risk

This comprises the risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall group. These risks are not directly referenced in the capital model and its outputs for this Company. Their impacts are assessed and communicated through qualitative assessment / narratives and the use of scenarios rather than attempting to assign simple probabilistic assessments.

The Company does not consider there to be any other material risks not covered in C1 to C5 above.

C.7 Any other information

There is no further information applicable, all material information is disclosed in sections C.1 to C.6 above.

D: Valuation for solvency purposes

D.1 Assets

The following table analyses the Company's assets at fair value and Solvency II value at 31 December 2021.

Assets £'000's	Solvency II Value	Adjustment	UK GAAP Value
Investments, including accrued interest	16,624	-	16,624
Reinsurance recoverable	118,583	(34,458)	84,124
Reinsurance receivable	1,107	-	1,107
Cash	2,609	-	2,609
Other assets	13	-	13
Total Assets	**138,943**	**(34,458)**	**104,478**

The only assets that are valued differently under Solvency II are Reinsurance recoverables. other than the adjustments noted in the table above the valuation principles applied to these assets are the same as those used in the UK GAAP financial statements, notably:

- Investments in Government and Corporate Bonds – these are quoted instruments in active markets. An active market exists where transactions occur frequently enough to provide pricing information on an ongoing basis. Market prices as at 31 December 2021 have been applied. There are no unlisted investments held by the Company.
- Reinsurance recoverables – Reinsurance recoverables on a UK GAAP basis are discounted in respect of PPOs and potential PPOs using an expected return on assets. For Solvency II purposes, recoveries are discounted at the prescribed EIOPA risk free discount rate which is lower than the rate used for UK GAAP.
- Reinsurance receivables – valued at the amount accrued at the period end.
- Cash and Cash Equivalents – valued at the amount held at the period end, translated using the year-end exchange rate where appropriate.
- No deferred tax assets have been recognised on a UK GAAP or Solvency II basis. Deferred tax is recognized based on temporary differences in the valuation of assets and liabilities in the Solvency II balance sheet and its tax base. Deferred tax assets are recognized to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

D.2 Technical Provisions

The Solvency II Technical Provisions have been calculated in accordance with the Delegated Regulations (EU2015/35) as adopted by the European Commission on 10 October 2014.
The Technical Provisions comprise the Best Estimate of the Liabilities (“BEL”) and the Risk Margin.

At 31 December 2021, the Technical Provisions were:

Class (Non-Life)	**Gross Best Estimate**	**Risk Margin**	**Best Estimate RI Share of Technical Provisions**	**Net Technical Provisions**
	£’000s	**£’000s**	**£’000s**	**£’000s**
Direct Motor	(28)	-	-	(28)
Direct Motor Vehicle Liability	92,109	1,979	(88,265)	5,823
Life Annuity	-	-	-	-
Total Undiscounted	**92,081**	**1,979**	**(88,265)**	**5,795**
SII Expenses	1,069	-	-	1,069
ENIDs	216	-	-	216
Discount	(29,194)	-	27,881	(1,314)
Bad Debt	-	-	317	317
Reinstatement Premium	-	-	-	-
Total Discounted	**64,171**	**1,979**	**(60,068)**	**6,082**

Class (Life)	**Gross Best Estimate**	**Risk Margin**	**Best Estimate RI Share of Technical Provisions**	**Net Technical Provisions**
	£’000s	**£’000s**	**£’000s**	**£’000s**
Direct Motor	-	-	-	-
Direct Motor Vehicle Liability	-	-	-	-
Life Annuity	76,466	1,584	(72,934)	5,116
Total Undiscounted	**76,466**	**1,584**	**(72,934)**	**5,116**
SII Expenses	146	-	-	146
ENIDs	-	-	-	-
Discount	(14,814)	-	14,111	(703)
Bad Debt	-	-	309	309
Reinstatement Premium	-	-	-	-
Total Discounted	**61,799**	**1,584**	**(58,515)**	**4,868**
Total Net SII Provisions (Life & Non-Life)				**10,950**

Methodology

The Technical Provisions have been provided by the Actuarial Function which are deemed appropriate and sufficient In determining the TP Claims Provisions, the UK GAAP reserves are adjusted for:

- Events Not In Data ("ENIDs").
- Additional expenses and Bad Debt.
- Discounting (rates as advised by PRA).

There are no future premium cash-flows within the Claims TPs.

Comparison to Financial Statements

The table below shows the differences between the TPs held in the financial statements and those calculated for Solvency II:

Technical Provisions - 31/12/21

		£'000s
	Discounted Net Claims Reserves	4,249
	Discounting	3,099
Total Undiscounted Net UK GAAP Provisions		**7,348**
SII Adjustments	ENIDs	216
	Additional Expenses	1,215
	Discounting	(2,017)
	Other UK GAAP Adjustments	
	Bad Debt	626
	Risk Margin	3,564
Total Adjustments		3,603
Total Net SII Provisions (Life & Non-Life)		**10,950**

Material differences are highlighted below.

- **ENIDs**

  To allow for the occurrence of all possible future outcomes under Solvency II, ENIDs have been considered. ENIDs represent low frequency, high cost events which are not represented within historical data, therefore must be estimated explicitly. A simple percentage approach is taken to estimating ENIDs due to the nature of the run-off reserves and the reinsurance mitigation available on the programme business.

- **BBNI and Future Premium Reserves**

  For Solvency II TPs the Company must calculate the premium and claims cashflows of contracts to which it is legally obliged, whether these contracts have incepted or not (bound but not incepted, "BBNI"). The calculation of these cash-flows generates future premium reserves for both incepted and unincepted contracts.

- **Expenses**

  The Company does not hold a provision for ULAE within the UK GAAP reserves as it is considered that investment income will be more than sufficient to cover these costs. For Solvency II TPs, the discounted cashflows associated with the estimated cost of running all claims off to finality is required to be included in the TPs. A two-year average of expected expenses paid as a percentage of net claims paid methodology was used to estimating SII additional expenses.

- **Discounting**

  Solvency II best estimates represent the probability weighted average value of all future cash flows, discounted to allow for the time value of money.

  Discounting has been carried out in accordance with PRA guidelines. Yield curves have been provided by PRA. Claim payment patterns used for discounting provisions were derived from the gross claim projections. Claims payment patterns are determined for each currency and currency specific discount rates have been used.

  ULAE is discounted assuming the same underlying payment pattern as gross claims to which the expense has been allocated. Reinsurance recoveries are assumed to mirror gross payments.

- **Risk Margin**

  Currently the risk margin is calculated on a simplified cost of capital approach (method 3). As this portfolio consists of both life and non-life components with materially different payment profiles, these components of the SCR have been run-off separately in order to determine the risk margin. The SCR relating to the written and obliged business is run off using best estimate net discounted cash flows adjusted for future premiums, ENIDs and ULAE allocated to each payment profile. The cost of capital of 6% is then applied to the aggregate SCR and discounted without liquidity premium to give the risk margin. This approach runs off the SCR in proportion to the 0.75th root of expected run-off of technical provisions. The simplified method has been chosen due to the maturity of the Company and the nature of the exposures

  The SF model risk margin is calculated using the same approach to the simplified method 3.

- **Uncertainty**
  There is always uncertainty associated with the estimation of TPs. Future development can and does differ from experience.

Other Information

The data used to determine TPs is complete and accurate and appropriate for purpose as assess in accordance with Article 19 of Directive 2009/138/EC.
In assessing the TPs; there is no matching adjustment (Article 77b of Directive 2009/138/EC), no volatility adjustment (Article 77d of Directive 2009/138/EC), no transitional risk-free interest rate-term structure (Article 308c of Directive 2009/138/EC) and no transitional deduction (Article 308d of Directive 2009/138/EC).

The Company took advantage of simplification on counterparty default risk on pooling arrangements under Article 109 of the Delegated Regulation 2015/35.

D.3. Other Liabilities

Other liabilities of the Company as at 31 December 2021 were as follows:

Other Liabilities £000's	Solvency II Value	Adjustment	Fair Value
Reinsurance payables	217	-	217
Other creditors	131	-	131
Contingent Liabilities	2	(2)	0
Total Other Liabilities	350	(2)	348

For other liabilities the amounts in the UK GAAP financial statements are materially equivalent to the values required by Solvency II which are on a fair value basis without any adjustment for change in own credit standing.

No changes have been made to the recognition and valuation bases used for liabilities or to estimates during the reporting period.

D.4 Alternative Methods for Valuation

The Company does not use any alternative methods for valuation.

D.5 Any Other Information

There is no further information applicable, all material information is disclosed in sections D.1 to D.4 above

E. Capital Management

E.1 Own funds

The Company's objectives when managing capital are to:

- Comply with the insurance capital requirements to hold Eligible Own Funds to cover the SCR and Minimum Capital Requirement ("MCR").
- Safeguard the Company's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders.
- Maintain financial strength to support new business growth and to provide for the capital requirements of the Company; and

The Company aims to ensure that its 'own funds' consists of 'tier 1', 'tier 2' and 'tier 3' capital as defined by Solvency II Directive. The Company's own funds shall take the form of:

- Ordinary Share Capital.
- Retained Earnings.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders. There were no changes over the period.

Own funds have moved as follows:

	Total
	£'000s
Basic own funds at 1 January 2021	8,481
Movement in excess of assets over liabilities	573
Change in inadmissible funds	(1,014)
Basic own funds at 31 December 2021	**8,039**

	Tier 1	**Tier 2**	**Total**
	£'000s	**£'000s**	**£'000s**
Basic own funds	**8,039**	**-**	**8,039**
SCR			**4,746**
MCR			3,126
Total available own funds to meet SCR and MCR	**8,039**	**-**	**8,039**
SCR Cover			**169%**
MCR Cover			257%

Ordinary Shares

The share capital is made up of Ordinary shares.

Available Own Funds to Cover SCR and MCR

In assessing the Solvency cover, the Board considers the available own funds to be a significant driver. The Company is in a position to cover the SCR fully with its Tier 1 capital.

Reconciliation between Solvency II excess of assets over liabilities and Equity as per UK GAAP:

	£'000s
Excess of assets over liabilities as per SII	**9,054**
Difference in value of Discounted Net TP	6,701
Contingent Liabilities	2
Equity as per UK GAAP	**15,756**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company uses the standard formula to calculate its SCR which at the end of the reporting period is £4,746k (2020: £4,225k). The MCR is £3,126k (2020: £3,338k).

The table below shows the components of the SCR (using the Standard Formula).

Inceptum SCR	**31/12/2021**	**31/12/2020**
	£'000s	**£'000s**
Non-life underwriting risk	1,119	1,444
Life underwriting risk	215	292
Market risk	2,086	601
Counterparty default risk	1,426	1,953
Undiversified SCR	**4,845**	**4,290**
Diversification Credit	(1,337)	(1,041)
Operational risk	748	975
Adjustment due to Ring Fenced Funds	**490**	**-**
SCR	**4,746**	**4,225**
MCR	**3,126**	**3,338**

USP and Simplifications

We have applied simplified approaches in determining the SCR for Inceptum as at year end 2021 in line with the nature, scope and complexity of its risk profile. We believe these simplifications are in line with Article 88 of the Delegated Acts on proportionality. The simplified approaches were applied to:

- The determination of counterparty default risk; and
- The allocation of Technical Provisions to solvency II class and region, for each class.

In determining the SCR for Inceptum no application of Undertaking Specific Parameters was incorporated.

The MCR is determined as prescribed in the 'Commission Delegated Regulation (EU) 2015/35 of 10 October 2014', where for Inceptum, as at year end 2020 reflects the Absolute Floor MCR.

E.3 Use of the Duration Based Equity Risk

This is not applicable to the Company.

E.4 Differences between the Standard Formula and any Internal Model used

This is not applicable as the Company uses the Standard Formula.

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

Inceptum was compliant with MCR and SCR at all times during the period and is also projected to be compliant over the business planning horizon.

E.6 Any other information

There is no additional information which the Directors consider should be disclosed regarding capital management of the Company, other than that in section E.1 to E.5.

F. Approval by the Board of Directors of the Solvency and Financial Condition Report

STRATEGY | INNOVATION | EXPERTISE

R&Q

Inceptum Insurance Company Limited

Prudential Regulation Authority
Bank Buildings
8 Lothbury
London
EC2R 7HH

4 April 2022

In relation to Inceptum Insurance Company Limited

We certify that:

1. the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all materical aspects in accordance with the PRA rules and Solvency II Regulations; and

2. we are satisfied that:

   a) througout the financial year in question, the company has complied in all material respects with the requirments of the PRA rules and Solvency II Reports as applicable to the company; and
   b) it is reasonale to believe that, at the date of the publication of the SFCR, the Company has continued so to comply, and will continue so to comply in future.

....
Gregg Jarvis
Head of Group Finance
For and on behalf of the Board of Directors
Date: 4 April 2022

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Inceptum Insurance Company Limited
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Registered in England & Wales No. 03581552
Registered Office: 71 Fenchurch Street, London EC3M 4BS
Inceptum Ins Company Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Appendix 1 – ARTs Forms

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	16,624
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	16,624
R0140	*Government Bonds*	6,327
R0150	*Corporate Bonds*	10,098
R0160	*Structured notes*	0
R0170	*Collateralised securities*	199
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	118,583
R0280	*Non-life and health similar to non-life*	60,068
R0290	*Non-life excluding health*	60,068
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	58,515
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	58,515
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	1,107
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,609
R0420	Any other assets, not elsewhere shown	13
R0500	**Total assets**	138,937

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	66,150
R0520	*Technical provisions - non-life (excluding health)*	66,150
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	64,171
R0550	*Risk margin*	1,979
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	63,383
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	63,383
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	61,799
R0680	*Risk margin*	1,584
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	2
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	38
R0830	Reinsurance payables	217
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	93
R0900	**Total liabilities**	129,883
R1000	**Excess of assets over liabilities**	9,054

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations		Total
		Motor vehicle liability insurance	Other motor insurance	
		C0040	C0050	C0200
	Premiums written			
R0110	Gross - Direct Business			0
R0120	Gross - Proportional reinsurance accepted			0
R0130	Gross - Non-proportional reinsurance accepted			0
R0140	Reinsurers' share			0
R0200	Net	0	0	0
	Premiums earned			
R0210	Gross - Direct Business			0
R0220	Gross - Proportional reinsurance accepted			0
R0230	Gross - Non-proportional reinsurance accepted			0
R0240	Reinsurers' share			0
R0300	Net	0	0	0
	Claims incurred			
R0310	Gross - Direct Business	1,352		1,352
R0320	Gross - Proportional reinsurance accepted			0
R0330	Gross - Non-proportional reinsurance accepted			0
R0340	Reinsurers' share	879		879
R0400	Net	473	0	473
	Changes in other technical provisions			
R0410	Gross - Direct Business	-253		-253
R0420	Gross - Proportional reinsurance accepted			0
R0430	Gross - Non-proportional reinsurance accepted			0
R0440	Reinsurers' share	-34		-34
R0500	Net	-219	0	-219
R0550	**Expenses incurred**	284	0	284
R1200	**Other expenses**			151
R1300	**Total expenses**			435

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life — Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Total
		C0250	C0300
	Premiums written		
R1410	Gross		0
R1420	Reinsurers' share		0
R1500	Net	0	0
	Premiums earned		
R1510	Gross		0
R1520	Reinsurers' share		0
R1600	Net	0	0
	Claims incurred		
R1610	Gross	5,324	5,324
R1620	Reinsurers' share	5,356	5,356
R1700	Net	-32	-32
	Changes in other technical provisions		
R1710	Gross	865	865
R1720	Reinsurers' share	971	971
R1800	Net	-106	-106
R1900	**Expenses incurred**	272	272
R2500	**Other expenses**		145
R2600	**Total expenses**		417

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business							0
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	0						0
	Premiums earned							
R0210	Gross - Direct Business							0
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	0						0
	Claims incurred							
R0310	Gross - Direct Business	1,352						1,352
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	879						879
R0400	Net	473						473
	Changes in other technical provisions							
R0410	Gross - Direct Business	-253						-253
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share	-34						-34
R0500	Net	-219						-219
R0550	**Expenses incurred**	284						284
R1200	**Other expenses**							151
R1300	**Total expenses**							435

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
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net	0						0
	Premiums earned							
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net	0						0
	Claims incurred							
R1610	Gross	5,324						5,324
R1620	Reinsurers' share	5,356						5,356
R1700	Net	-32						-32
	Changes in other technical provisions							
R1710	Gross	865						865
R1720	Reinsurers' share	971						971
R1800	Net	-106						-106
R1900	**Expenses incurred**	272						272
R2500	**Other expenses**							145
R2600	**Total expenses**							417

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			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)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**									0	0						0
R0020	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	0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**								61,799	0	61,799						0
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								58,515	0	58,515						0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re								3,284	0	3,284		0	0			0
R0100	**Risk margin**								0	0	0						0
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin								1,584		1,584						0
R0200	**Technical provisions - total**								63,383	0	63,383	0					0

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-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	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0												0
R0050	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																	
	Premium provisions																	
R0060	Gross				0	0												0
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**				0	0												0
	Claims provisions																	
R0160	Gross				64,198	-28												64,171
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				60,068													60,068
R0250	**Net Best Estimate of Claims Provisions**				4,130	-28												4,103
R0260	**Total best estimate - gross**				64,198	-28												64,171
R0270	**Total best estimate - net**				4,130	-28												4,103
R0280	**Risk margin**				1,979	0												1,979
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				66,178	-28												66,150
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				60,068	0												60,068
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				6,110	-28												6,082

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current**	**Sum of years**
		0	1	2	3	4	5	6	7	8	9	10 & +	**year**	**(cumulative)**
R0100	Prior											942	942	942
R0160	2012	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2013	0	0	0	0	0	0	0	0	0			0	0
R0180	2014	0	0	0	0	0	0	0	0				0	0
R0190	2015	0	0	0	0	0	0	0					0	0
R0200	2016	0	0	0	0	0	0						0	0
R0210	2017	0	0	0	0	0							0	0
R0220	2018	0	0	0	0								0	0
R0230	2019	0	0	0									0	0
R0240	2020	0	0										0	0
R0250	2021	0											0	0
R0260												**Total**	942	942

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted**
		0	1	2	3	4	5	6	7	8	9	10 & +	**data)**
R0100	Prior											93,365	64,171
R0160	2012	0	0	0	0	0	0	0	0	0	0		0
R0170	2013	0	0	0	0	0	0	0	0	0			0
R0180	2014	0	0	0	0	0	0	0	0				0
R0190	2015	0	0	0	0	0	0	0					0
R0200	2016	0	0	0	0	0	0						0
R0210	2017	0	0	0	0	0							0
R0220	2018	0	0	0	0								0
R0230	2019	0	0	0									0
R0240	2020	0	0										0
R0250	2021	0											0
R0260												**Total**	64,171

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	10,000	10,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-1,961	-1,961			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	8,039	8,039	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	8,039	8,039	0	0	0
R0510	Total available own funds to meet the MCR	8,039	8,039	0	0	
R0540	Total eligible own funds to meet the SCR	8,039	8,039	0	0	0
R0550	Total eligible own funds to meet the MCR	8,039	8,039	0	0	
R0580	**SCR**	4,746				
R0600	**MCR**	3,126				
R0620	**Ratio of Eligible own funds to SCR**	169.39%				
R0640	**Ratio of Eligible own funds to MCR**	257.17%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	9,054
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	10,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	1,014
R0760	**Reconciliation reserve**	-1,961
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2,377		
R0020	Counterparty default risk	1,625		
R0030	Life underwriting risk	245		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	1,275		
R0060	Diversification	-1,524		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	3,998		

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
R0130	Operational risk	748
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	4,746
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	4,746
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	3,242
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	1,504
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

The capital charges above do not reconcile to the table within section E of this document because of the nuances around ringfencing (RFF). The capital team model the RFF and non-RFF as separate entities and add them up for the Inceptum total, as per section E. The figures in the table above has reverse-calculated the individual risk type charges based on the total from section E which is a somewhat different basis of presentation.

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
R0010	MCR_{NL} Result	351

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	4,130	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	69

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	3,284	
R0250	Total capital at risk for all life (re)insurance obligations		215

	Overall MCR calculation	C0070
R0300	Linear MCR	420
R0310	SCR	4,746
R0320	MCR cap	2,136
R0330	MCR floor	1,187
R0340	Combined MCR	1,187
R0350	Absolute floor of the MCR	3,126
R0400	**Minimum Capital Requirement**	3,126