Solvency & Financial Condition Report

Inceptum Insurance Company Limited

In respect of the reporting period ended
31 December 2020

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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 2020. 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 made a loss in 2020 of £891k (£588k loss in 2019) including an underwriting loss of £1,045k due primarily to negative development in respect of the remaining Motor PPO net exposure.

The Company's Net Assets have decreased in the financial year by 5.11% to £17,436k (2019: £16,545) with Gross Technical Provisions of £87,761k (2019: £97,691k) and Net Technical Provisions of £4,574k (2019: £2,796k) reported at 31 December 2020. 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 2020. 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 £4,225k (2019: £8,218k). The Company expects to remain in compliance. Further details of the Company's capital management can be found in Section E to this report.

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

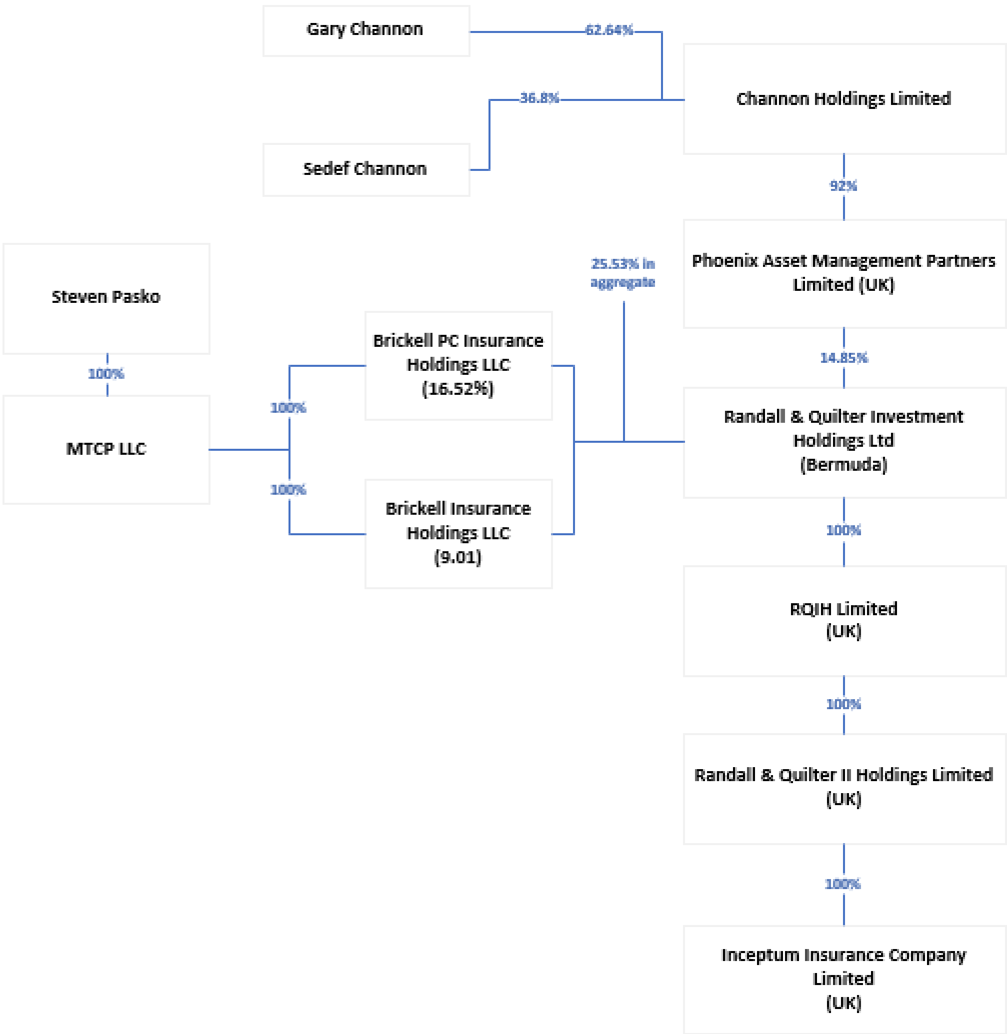
Tel: +1 (441) 295 5278
Fax: +1 (441) 292 7471

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:

	2020	2019
	£'000	£'000
Net claims paid	169	918
Technical account for general business	(1,245)	(1,077)
Investment return	354	350
(Loss)/Profit after tax	(891)	(588)
Shareholders' funds	16,543	17,436
Net technical provisions	4,573	2,796
Number of non-zero outstanding claims	19	22
Number of outstanding claims	52	90

At 31 December 2020 there are 10 open Motor PPO claims and the possibility of PPOs being awarded on a further 4 claims with the total discounted Gross Reserve for these 14 claims being £86.8m.

There are 5 open Motor non-PPO claims with a total discounted Gross Reserve of £0.7m.

An additional 33 settled claims remain 'open' due to potential recoveries from other involved parties with no estimate / value included within the 31 December 2020 position.

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

An analysis of the underwriting result before investment return is set out below:

2020	**Gross premium**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**	**Net technical provisions**
General business	**£'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

2019	Gross premium	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total	Net technical provisions
General business	£'000	£'000	£'000	£'000	£'000	£'000
Motor	-	(2,434)	52	1,286	(1,096)	2,796
Household	-	150	12	(143)	19	-
Total	-	(2,284)	64	1,143	(1,077)	2,796

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 increased to £354k (2019: £350k) compared with the prior year due largely to an increase in interest income on securities.

The Company's financial investments consist of listed investments and deposits with credit institutions, and it classifies these as financial assets at fair value through profit or loss.

There are no investments in securitisations.

Non-technical account	**2020 £'000**	2019 £'000
Balance on the technical account - general business	(1,245)	(1,077)
Investment income	236	359
Unrealised gains/(losses) on investments	165	34
Investment expenses and charges	(47)	(43)
(Loss)/Profit on ordinary activities before tax	(891)	(727)

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:

Throughout 2020, Inceptum had an established risk management function, with clear terms of reference from the Board of Directors and its committees. This was supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to committees and senior managers. Inceptum had an articulated risk appetite which was approved by the Company's Board. Actual performance was reviewed against the stated appetite using supporting metrics. Performance and risk exposure against tolerance levels was monitored regularly by management and the board.

The Board of Directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies and associated strategy and business plans to ensure that they remain aligned. The company regularly undertakes an Own Risk and Solvency Assessment (ORSA) which is reviewed and approved by the Board.

The Company is subject to capital requirements imposed by the Prudential Regulation Authority (PRA). Capital requirements are calculated in accordance with the Solvency II standard formula.

Board of Directors:

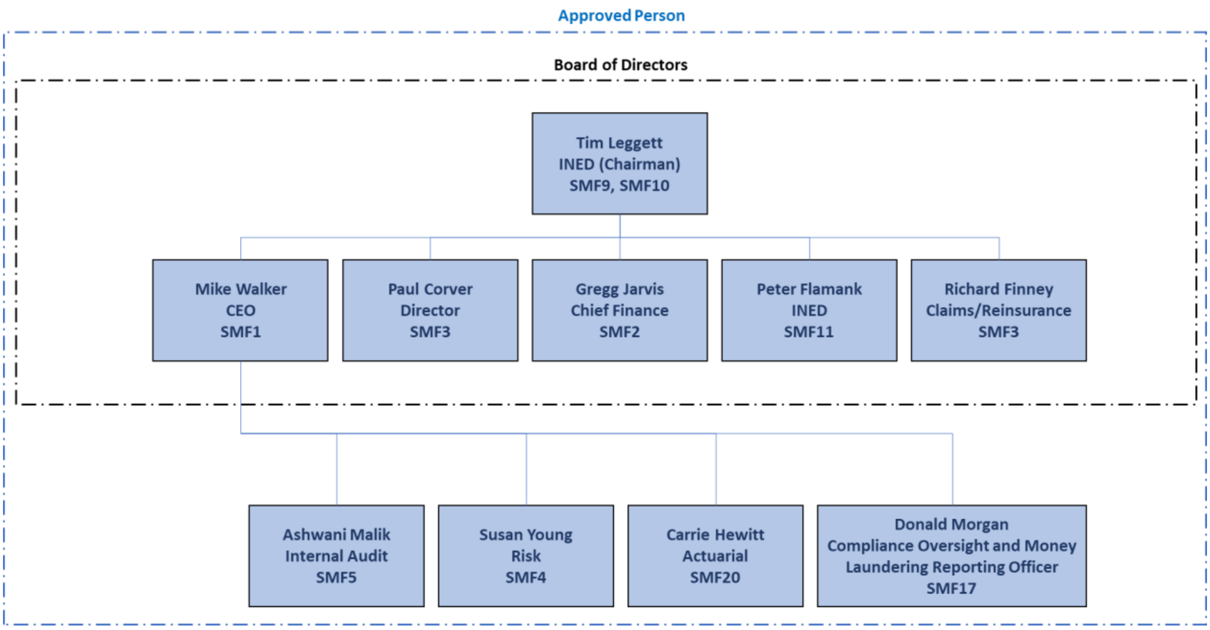
TJ Leggett	Non-Executive Chairman
PA Flamank	Non-Executive Director
MS Walker	Chief Executive Officer (appointed 31 December 2020)
GD Jarvis	Chief Financial Officer (appointed 31 December 2020)
PR Corver	Executive Director (appointed 31 December 2020)
RJ Finney	Executive Director (appointed 31 December 2020)
NG Kirk	Chief Executive Officer (resigned 31 December 2020)
AE Williams	Chief Financial Officer (resigned 31 December 2020)
PS Donovan	Chief Operations and Risk Officer (resigned 31 December 2020)
A Fridlyand	Non-Executive Director (resigned 31 December 2020)
SA Schaen	Non-Executive Director (resigned 31 December 2020)

Company Secretary:	R&Q Central Services Limited (appointed 31 December 2020)
P Box	Company secretary (resigned 17 December 2020)
P Longville	Company secretary (appointed 17 December 2020 and resigned 31 December 2020)

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, scale and complexity 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 Group has adopted a Group System of Governance which provides the framework and guidelines within which Inceptum, a subsidiary solo entity within the Group, operates in the context of the Group structure, whilst meeting its own regulatory requirements on a stand-alone basis.

The Organisation Structure of the company as at 31st December 2020 is depicted in the following table:



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") which came into force on 10 December 2018.

The business is broken down into separate Functions, which include:

- Operations
    - - Management Information
    - - Information Technology
- Claims
- Reinsurance
- Finance (including Actuarial)
- Human Resources

- Compliance and Risk Management

The Company is managed by its Board of Directors. The day-to-day management of the business is the responsibility of the CEO).

Committees:

In 2020, the internal governance framework consisted of a small number of committees:

- Executive
- Audit and Risk
- Investment

In February 2020 the Board assumed the responsibility of the Investment Committee, overseeing the execution and management of the investment strategy.

The overall governance of the company continues to be strengthened with the forthcoming establishment of an expanded Board-appointed Audit and Risk Committee, to be attended by two Independent Non-Executive Directors and chaired by one of them. Meetings may also be attended by the Chief Executive Officer of Inceptum, and by the Group Head of Governance, Chief Risk Officer, and Head of Internal Audit.

The Audit and Risk Committee is responsible for overseeing the management of Risk, in accordance with the firm's risk strategy.

There were no material changes to the System of Governance during the year, although the System of Governance is subject to review following the acquisition of the Company by the R&Q Group.

The Group System of Governance is based on a number of Principles in particular Sound & Prudent Management requiring:

- Clear Organisational Structure
- Effective Communication & Information
- Common Directors and Senior Managers wherever possible

The key features of this are to implement wherever possible, common:

- Boards of Directors
- Officers
- Back office
- Internal Audit
- Risk Management
- Actuarial
- Legal/Company Secretarial
- Policies and procedures

To the extent functions are shared, being outsourced from Group Companies, the CEO of the Company shall have overall responsibility for those "in-sourced" functions insofar as they are relevant to the Company regardless of who is the line manager within the Group for that function or role. In exceptional cases, responsibility may instead be taken by a Committee.

Prudent Person Principle

The Company's management function ensures that assets are invested in accordance with the investment guidelines, following external advice from service providers where required. This includes investing assets in accordance with the 'prudent person principle' to limit the Company's exposures to individual and Group counterparties.

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.

For each new Regulated Position, the Company will determine the particular skill sets and expertise required and then assess these requirements by way of a gap analysis against the attributes of the individual candidates. A view will then be taken on the overall suitability of the candidate and to the extent there are perceived shortfalls, the suitability and timing of available training.

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

The Group obtained regulatory approval for the acquisition of the Company on 21 December 2020. As part of the Group, the Company will adopt the Group's risk management framework during the transition period in 2021.

The Group's risk management framework ("RMF") 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 will adopt 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 the 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, people throughout the organisation are engaged in the management of risk. This is realised through a strong 'tone at the top' that emphasises the importance of effective risk management, with functional management accountable for embedding risk in their own areas. The Group has adopted the "three lines of defence" governance model, both at Group and entity level, of which the Risk Management Function forms part. 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 of Directors. 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 legal entity 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 of Directors 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 Board and where appropriate the Group Risk Committee
- 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 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.

Underpinning the three lines of defence is risk transparency within 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 Transparency

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

Risk Appetite Framework

The Board recognises that a well-defined risk appetite supports the business decision making and planning. The Board will review and set 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 will be articulated via a series of quantitative and qualitative statements covering all categories in the risk universe (see section 'Risk & Control Management Process').

Risk Policies

The Company adopts the Group's three tier Group risk policy structure, tailoring them in regard to regulatory requirements, the Company's risk profile and the principles of proportionality. The Company's tier three risk policies determine the way in which risks are to be managed and controlled. The Board of Directors 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 Committee and Board, considers the applicability and magnitude of the respective 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 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 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.

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.

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 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 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 is also 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 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

Group Internal Audit ("GIA") provides independent assurance to the Board and Executive Management that the organisation's risk management processes and control framework are operating effectively and efficiently, and that there is compliance with the Group's policies and procedures. In this regard Internal Audit shall liaise with Compliance and Risk Management Functions.

Authority

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

All employees are required to assist GIA 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 are uncomfortable with internal audit's access to certain documents requested, the HIA is required to bring such matters to the attention of the Chairman of the Board, to assist with the information being released for specific reviews.

Reporting Lines

The primary reporting line for the HIA is to the Chair of the Group Audit Committee ("GAC") and subsidiary Audit Committees / Boards where established. GAC is responsible for the appointment and removal of the HIA.

The HIA:

· Communicates and interacts directly with the GAC and has direct access to its Chair and members in between GAC / Board meetings;

· Maintains a functional reporting line to the Group Chief Executive Officer ("CEO") to report on the outcome of audit activity and the overall opinion on the Group's control environment; and

· Has the responsibility to report promptly any significant issues to the GAC and has direct access to the Chair of the Board.

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

Independence

GIA is independent of all the Group's other functions, including those responsible for risk, compliance, governance and finance. All other functions may be subject to audit. GIA 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 GAC/Local Board, at least annually, the organisational independence of the internal audit activity.

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

HIA's performance will be managed within the performance management policies set by the Group and appraised at least once a year. The Chair of the GAC will perform the appraisal of the HIA together with the CEO. As part of the appraisal the HIA's independence, objectivity and tenure are also considered.

The CEO, in consultation with the Chair of the GAC, will recommend the remuneration of the HIA to the Remuneration Committee.

The remuneration of all GIA staff should be structured in a way to avoid conflict of interest, does not impair GIA independence and objectivity, and is not directly or exclusively linked to the short-term performance of the Group.

Internal Audits

The company's internal controls are reviewed through specific reviews and during group thematic audits and reports are presented to the Board in full.

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.

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 includes a team which is responsible for the extraction of data via an interface with the IT function, to provide accurate, timely and appropriate data to the AF and the Finance department and reports for management relevant to key areas in the performance of the Company.

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

The changes to the Company's system of Governance are because of the acquisition of Inceptum by the Group as at 31 December 2020. The System of Governance will be further reviewed as part of the integration of the Company in 2021.

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 RQIH Risk Management Policy. The risk policy supports 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 Underwriting 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. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Claims risk

The risk that a series of claims materialise in respect of a latent liability that the insurance industry is not currently aware of and that the frequency/ and or severity of claims increases.

Management and Mitigation:

The Company has outsourced the 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 PPOs over time.

Although the Company has reinsurance arrangements, it is not relieved 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 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.

In addition, the Board of the Company could decide to purchase additional reinsurance should it feel it appropriate to do so.

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 proves to be inadequate. The majority of the Company's claims reserves relate to claims which are subject to Periodical Payment Orders ("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 of future claim payments, the future long-term investment return on the assets backing the reserves and longevity 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 discussed 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 through the Board, and by implementing detailed investment guidelines. Investment performance is monitored against market-based benchmarks.

Spread Risk:

The risk relates to the Company's investment in bond funds reflects potential volatility in credit spreads over risk free rates. Management structures are in place to monitor all the Company's overall market positions on a frequent basis 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.

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

The Company will place limits on the level of credit risk undertaken from the main categories of financial instruments. These limits will also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the Company will consider the credit standing of the counterparty 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 the financial institutions that are 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. 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 reinsurers currently used may encounter financial problems some years into the future and be unable to meet their obligations.

It is believed that significant adverse credit risk development is unlikely. In making this assessment the run-off of the Company, the security ratings of each reinsurer or reinsured and the likely attitude of those from whom amounts will be due have been considered

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.

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:

- Varonis for data Management; AlienVault for Intrusion Detection System (IDS)
- Mimecast for Phishing protection and prevention and data quarantining
- MFA for Multifactor Authentication for o365
- 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

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 that it is not managed appropriately once it has been on-boarded into RQIH. The Group has a proven transfer track record with acquiring and managing run-off companies.

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 2020.

Assets £000's	Solvency II Value	Adjustment	UK GAAP Value
Investments, including accrued interest	19,040	-	19,040
Reinsurance recoverable	128,469	(45,281)	83,188
Reinsurance receivable	124	-	124
Cash	1,325	-	1,325
Other assets	848	-	848
Total Assets	**149,806**	**(45,281)**	**104,525**

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 2020 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 2020, 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	106,838	3,311	(101,995)	8,154
Life Annuity	-	-	-	-
Total Undiscounted	**106,810**	**3,311**	**(101,995)**	**8,126**
SII Expenses	1,322	-	-	1,322
ENIDs	250	-	-	250
Discount	(25,378)	-	24,223	(1,155)
Bad Debt	-	-	75	75
Reinstatement Premium	-	-	-	-
Total Discounted	**83,004**	**3,311**	**(77,697)**	**8,618**

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	58,468	1,543	(55,855)	4,156
Total Undiscounted	**58,468**	**1,543**	**(55,855)**	**4,156**
SII Expenses	146	-	-	146
ENIDs	-	-	-	-
Discount	(5,369)	-	5,083	(286)
Bad Debt	-	-		
Reinstatement Premium	-	-	-	-
Total Discounted	**53,245**	**1,543**	**(50,772)**	**4,015**
Total Net SII Provisions (Life & Non Life)				**12,633**

Methodology

The Technical Provisions have been provided to the AF by the external consultancy Dynamo. The AF has reviewed the assumptions and calculations used in determining both the gross and net technical provisions, and these 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.

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

In setting the undiscounted claims TPs for this class, the starting point is the UK GAAP Unearned Premium Reserves ("UPR"). This is multiplied by the Initial Expected Loss Ratio ("IELR") to determine the unearned future claims TPs. In determining these provisions, the unearned future claim amounts are adjusted for:

- Legally Obliged business.
- Expenses.
- Discounting.

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 - 31/12/20

		£000s
	Discounted Net Claims Reserves	4,574
	Discounting	3,334
Total Undiscounted Net UK GAAP Provisions		**7,908**
SII Adjustments	ENIDs	250
	Additional Expenses	1,468
	Discounting	(1,441)
	Other UK GAAP Adjustments	(481)
	Bad Debt	75
	Risk Margin	4,854
Total Adjustments		4,725
Total Net SII Provisions		**12,633**

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**

  RQIE 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 simple percentage approach is taken to estimating SII additional expenses due to the nature of the run-off reserves.

- **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 EIOPA guidelines. Yield curves have been provided by EIOPA. 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). 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. The cost of capital of 6% is then applied to the SCR and discounted without liquidity premium to give the risk margin. This approach runs off the SCR in line with the 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 2020 were as follows:

Other Liabilities £000's	**Solvency II Value**	**Adjustment**	**Fair Value**
Reinsurance payables	134	-	134
Other creditors	87	-	87
Total Other Liabilities	**221**	**-**	**221**

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:

	Share Capital Tier 1	Reconciliation Reserve Tier 1	Total
	£000s	**£000s**	**£000s**
Basic own funds at 1 January 2020	10,000	(626)	9,374
Movement in excess of assets over liabilities	-	(893)	(893)
Basic own funds at 31 December 2020	**10,000**	**(1,519)**	**8,481**

	Tier 1	Tier 2	Total
	£000s	**£000s**	**£000s**
Basic own funds	**8,481**	**-**	**8,481**
SCR			**4,225**
MCR			**3,338**
Total available own funds to meet SCR and MCR	**8,481**	**-**	**8,481**
SCR Cover			**201%**
MCR Cover			254%

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	**8,481**
Difference in value of TP as explained in Section D2	8,061
Equity as per UK GAAP	**16,542**

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 £4,224k (2019: £3,431k). The MCR is £3,338k (2018: £3,187k).

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

Inceptum SCR	**31/12/2020 £000s**	**31/12/2019 £000s**
Non-life underwriting risk	1,444	683
Life underwriting risk	292	260
Market risk	601	502
Counterparty default risk	1,953	1,963
Undiversified SCR	**4,290**	**3,408**
Diversification Credit	(1,041)	(769)
Operational risk	975	792
SCR	**4,225**	**3,431**
MCR	**3,338**	**3,187**

USP and Simplifications

We have applied simplified approaches in determining the SCR for Inceptum as at year end 2020 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

Inceptum Insurance Company Limited

Prudential Regulation Authority
Bank Buildings
8 Lothbury
London
EC2R 7HH

7 April 2021

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: 7 April 2021

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Registered in England & Wales No. 3581552
Registered Office: 71 Fenchurch Street, London EC3M 4BS
Inceptum Insurnace Company Limited is authorised by the Prudential Regulation Authority and regulated by the Conduct Financial Authority and the Prudential Regulation Authority

Appendix 1 – ARTs Forms

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	19,039,616.44
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	0.00
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	19,039,616.44
R0140	*Government Bonds*	1,818,741.65
R0150	*Corporate Bonds*	17,220,874.79
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0.00
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	128,468,740.60
R0280	*Non-life and health similar to non-life*	77,696,818.10
R0290	*Non-life excluding health*	77,696,818.10
R0300	*Health similar to non-life*	0.00
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	50,771,922.50
R0320	*Health similar to life*	0.00
R0330	*Life excluding health and index-linked and unit-linked*	50,771,922.50
R0340	*Life index-linked and unit-linked*	0.00
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	124,450.04
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	0.00
R0410	Cash and cash equivalents	1,324,817.00
R0420	Any other assets, not elsewhere shown	848,321.37
R0500	**Total assets**	149,805,945.45

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	86,315,429.09
R0520	*Technical provisions - non-life (excluding health)*	86,315,429.09
R0530	*TP calculated as a whole*	0.00
R0540	*Best Estimate*	83,004,051.01
R0550	*Risk margin*	3,311,378.08
R0560	*Technical provisions - health (similar to non-life)*	0.00
R0570	*TP calculated as a whole*	0.00
R0580	*Best Estimate*	0.00
R0590	*Risk margin*	0.00
R0600	Technical provisions - life (excluding index-linked and unit-linked)	54,788,250.41
R0610	*Technical provisions - health (similar to life)*	0.00
R0620	*TP calculated as a whole*	0.00
R0630	*Best Estimate*	0.00
R0640	*Risk margin*	0.00
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	54,788,250.41
R0660	*TP calculated as a whole*	0.00
R0670	*Best Estimate*	53,245,127.02
R0680	*Risk margin*	1,543,123.39
R0690	Technical provisions - index-linked and unit-linked	0.00
R0700	*TP calculated as a whole*	0.00
R0710	*Best Estimate*	0.00
R0720	*Risk margin*	0.00
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	134,635.94
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0.00
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0.00
R0880	Any other liabilities, not elsewhere shown	86,723.64
R0900	**Total liabilities**	141,325,039.09
R1000	**Excess of assets over liabilities**	8,480,906.36

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		Total
		Motor vehicle liability insurance	Other motor insurance	
		C0040	C0050	C0200
	Premiums written			
R0110	*Gross - Direct Business*			0.00
R0120	*Gross - Proportional reinsurance accepted*			0.00
R0130	*Gross - Non-proportional reinsurance accepted*			0.00
R0140	*Reinsurers' share*	-46,213.26	-47,508.76	-93,722.02
R0200	*Net*	46,213.26	47,508.76	93,722.02
	Premiums earned			
R0210	*Gross - Direct Business*			0.00
R0220	*Gross - Proportional reinsurance accepted*			0.00
R0230	*Gross - Non-proportional reinsurance accepted*			0.00
R0240	*Reinsurers' share*	-46,213.26	-47,508.76	-93,722.02
R0300	*Net*	46,213.26	47,508.76	93,722.02
	Claims incurred			
R0310	*Gross - Direct Business*	4,045,461.00	-1,181,200.00	2,864,261.00
R0320	*Gross - Proportional reinsurance accepted*			0.00
R0330	*Gross - Non-proportional reinsurance accepted*			0.00
R0340	*Reinsurers' share*	2,959,912.00	-1,181,200.00	1,786,712.00
R0400	*Net*	1,085,549.00	0.00	1,077,549.00
	Changes in other technical provisions			
R0410	*Gross - Direct Business*			0.00
R0420	*Gross - Proportional reinsurance accepted*			0.00
R0430	*Gross - Non-proportional reinsurance accepted*			0.00
R0440	*Reinsurers' share*			0.00
R0500	*Net*	0.00	0.00	0.00
R0550	**Expenses incurred**	137,105.42	0.00	137,105.42
R1200	**Other expenses**			
R1300	**Total expenses**			137,105.42

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations		Life reinsurance obligations		Total
		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance	Health reinsurance	Life reinsurance	
		C0250	C0260	C0270	C0280	C0300
	Premiums written					
R1410	*Gross*	-6,277.98				-6,277.98
R1420	*Reinsurers' share*	-6,277.98				-6,277.98
R1500	*Net*	0.00	0.00	0.00	0.00	0.00
	Premiums earned					
R1510	*Gross*					0.00
R1520	*Reinsurers' share*	-6,277.98				-6,277.98
R1600	*Net*	6,277.98	0.00	0.00	0.00	6,277.98
	Claims incurred					
R1610	*Gross*	-5,678,230.00				-5,678,230.00
R1620	*Reinsurers' share*	-5,745,778.00				-5,745,778.00
R1700	*Net*	67,548.00	0.00	0.00	0.00	67,548.00
	Changes in other technical provisions					
R1710	*Gross*					0.00
R1720	*Reinsurers' share*					0.00
R1800	*Net*	0.00	0.00	0.00	0.00	0.00
R1900	**Expenses incurred**	110,867.59	0.00	0.00	0.00	110,867.59
R2500	**Other expenses**					
R2600	**Total expenses**					110,867.59

S.05.02.01

Premiums, claims and expenses by country

		C0010	C0070
	Non-life		
R0010		**Home Country**	**Total Top 5 and home country**
		C0080	C0140
	Premiums written		
R0110	*Gross - Direct Business*		0.00
R0120	*Gross - Proportional reinsurance accepted*		0.00
R0130	*Gross - Non-proportional reinsurance accepted*		0.00
R0140	*Reinsurers' share*	-93,722.02	-93,722.02
R0200	*Net*	93,722.02	93,722.02
	Premiums earned		
R0210	*Gross - Direct Business*		0.00
R0220	*Gross - Proportional reinsurance accepted*		0.00
R0230	*Gross - Non-proportional reinsurance accepted*		0.00
R0240	*Reinsurers' share*	-93,722.02	-93,722.02
R0300	*Net*	93,722.02	93,722.02
	Claims incurred		
R0310	*Gross - Direct Business*	2,864,261.00	2,864,261.00
R0320	*Gross - Proportional reinsurance accepted*	0.00	0.00
R0330	*Gross - Non-proportional reinsurance accepted*	0.00	0.00
R0340	*Reinsurers' share*	1,786,712.00	1,786,712.00
R0400	*Net*	1,077,549.00	1,077,549.00
	Changes in other technical provisions		
R0410	*Gross - Direct Business*		0.00
R0420	*Gross - Proportional reinsurance accepted*		0.00
R0430	*Gross - Non-proportional reinsurance accepted*		0.00
R0440	*Reinsurers' share*		0.00
R0500	*Net*	0.00	0.00
R0550	**Expenses incurred**	110,845.48	110,845.48
R1200	**Other expenses**		
R1300	**Total expenses**		110,845.48

S.12.01.02
Life and Health SLT Technical Provisions

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl Unit-linked)
		C0090	C0100	C0150
R0010	**Technical provisions calculated as a whole**		0.00	0.00
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		0.00	0.00
	Technical provisions calculated as a sum of BE and RM			
	Best estimate			
R0030	**Gross Best Estimate**	53,245,127.02	0.00	53,245,127.02
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	50,771,922.50	0.00	50,771,922.50
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	2,473,204.52	0.00	2,473,204.52
R0100	**Risk margin**	1,543,123.39	0.00	1,543,123.39
	Amount of the transitional on Technical Provisions			
R0110	Technical Provisions calculated as a whole			0.00
R0120	Best estimate			0.00
R0130	Risk margin			0.00
R0200	**Technical provisions - total**	54,788,250.41	0.00	54,788,250.41

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance		
		Motor vehicle liability insurance	Fire and other damage to property insurance	Total Non-Life obligation
		C0050	C0080	C0180
R0010	**Technical provisions calculated as a whole**	0.00	0.00	0.00
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	0.00	0.00	0.00
	Technical provisions calculated as a sum of BE and RM			
	Best estimate			
	Premium provisions			
R0060	**Gross - Total**	0.00	0.00	0.00
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			0.00
R0150	**Net Best Estimate of Premium Provisions**	0.00	0.00	0.00
	Claims provisions			
R0160	**Gross - Total**	83,031,936.66	0.00	83,004,051.01
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	77,696,818.10	0.00	77,696,818.10
R0250	**Net Best Estimate of Claims Provisions**	5,335,118.56	0.00	5,307,232.91
R0260	**Total best estimate - gross**	83,031,936.66	0.00	83,004,051.01
R0270	**Total best estimate - net**	5,335,118.56	0.00	5,307,232.91
R0280	**Risk margin**	3,311,378.08	0.00	3,311,378.08
	Amount of the transitional on Technical Provisions			
R0290	TP as a whole	0.00	0.00	0.00
R0300	Best estimate	0.00	0.00	0.00
R0310	Risk margin	0.00	0.00	0.00
R0320	**Technical provisions - total**	86,343,314.74	0.00	86,315,429.09
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	77,696,818.10	0.00	77,696,818.10
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	8,646,496.64	0.00	8,618,610.99

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
Ordinary share capital (gross of own shares)	10,000,000.00	10,000,000.00		0.00	
Share premium account related to ordinary share capital	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
Subordinated mutual member accounts	0.00		0.00	0.00	0.00
Surplus funds	0.00	0.00			
Preference shares	0.00		0.00	0.00	0.00
Share premium account related to preference shares	0.00		0.00	0.00	0.00
Reconciliation reserve	-1,519,093.64	-1,519,093.64			
Subordinated liabilities	0.00		0.00	0.00	0.00
An amount equal to the value of net deferred tax assets	0.00				0.00
Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	0.00
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0.00				
Deductions					
Deductions for participations in financial and credit institutions	0.00				
Total basic own funds after deductions	8,480,906.36	8,480,906.36	0.00	0.00	0.00
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0.00				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00				
Unpaid and uncalled preference shares callable on demand	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0.00				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
Other ancillary own funds	0.00				
Total ancillary own funds	0.00			0.00	0.00
Available and eligible own funds					
Total available own funds to meet the SCR	8,480,906.36	8,480,906.36	0.00	0.00	0.00
Total available own funds to meet the MCR	8,480,906.36	8,480,906.36	0.00	0.00	
Total eligible own funds to meet the SCR	8,480,906.36	8,480,906.36	0.00	0.00	0.00
Total eligible own funds to meet the MCR	8,480,906.36	8,480,906.36	0.00	0.00	
SCR	4,224,806.91				
MCR	3,337,696.00				
Ratio of Eligible own funds to SCR	200.74%				
Ratio of Eligible own funds to MCR	254.09%				

Reconciliation reserve	C0060
Excess of assets over liabilities	8,480,906.36
Own shares (held directly and indirectly)	0.00
Foreseeable dividends, distributions and charges	
Other basic own fund items	10,000,000.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00
Reconciliation reserve	-1,519,093.64
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	
Expected profits included in future premiums (EPIFP) - Non- life business	
Total Expected profits included in future premiums (EPIFP)	0.00

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	601,439.26		
R0020	Counterparty default risk	1,953,272.16		
R0030	Life underwriting risk	291,901.72		
R0040	Health underwriting risk	0.00		
R0050	Non-life underwriting risk	1,443,839.92		
R0060	Diversification	-1,040,601.59		
R0070	Intangible asset risk	0.00		
R0100	**Basic Solvency Capital Requirement**	3,249,851.47		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	974,955.44
R0140	Loss-absorbing capacity of technical provisions	0.00
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0.00
R0200	**Solvency Capital Requirement excluding capital add-on**	4,224,806.91
R0210	Capital add-ons already set	0.00
R0220	**Solvency capital requirement**	4,224,806.91
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0.00
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0.00
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0.00
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0.00
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0.00

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0.00

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	**LAC DT**	
R0650	LAC DT justified by reversion of deferred tax liabilities	0.00
R0660	LAC DT justified by reference to probable future taxable economic profit	0.00
R0670	LAC DT justified by carry back, current year	0.00
R0680	LAC DT justified by carry back, future years	0.00
R0690	Maximum LAC DT	0.00

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	453,485.08

		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	0.00	
R0030	Income protection insurance and proportional reinsurance	0.00	
R0040	Workers' compensation insurance and proportional reinsurance	0.00	
R0050	Motor vehicle liability insurance and proportional reinsurance	5,335,118.56	
R0060	Other motor insurance and proportional reinsurance	0.00	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0.00	
R0080	Fire and other damage to property insurance and proportional reinsurance	0.00	
R0090	General liability insurance and proportional reinsurance	0.00	
R0100	Credit and suretyship insurance and proportional reinsurance	0.00	
R0110	Legal expenses insurance and proportional reinsurance	0.00	
R0120	Assistance and proportional reinsurance	0.00	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0.00	
R0140	Non-proportional health reinsurance	0.00	
R0150	Non-proportional casualty reinsurance	0.00	
R0160	Non-proportional marine, aviation and transport reinsurance	0.00	
R0170	Non-proportional property reinsurance	0.00	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0.00

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

	Overall MCR calculation	C0070
R0300	Linear MCR	453,485.08
R0310	SCR	4,224,806.91
R0320	MCR cap	1,901,163.11
R0330	MCR floor	1,056,201.73
R0340	Combined MCR	1,056,201.73
R0350	Absolute floor of the MCR	3,337,696.00
R0400	**Minimum Capital Requirement**	3,337,696.00