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Executive Summary

Introduction

This Solvency and Financial Condition Report (SFCR) has been prepared in line with the requirements of the Solvency II (SII) Regulations, to assist the customers, business partners and shareholders of Ecclesiastical Life Limited (ELL, the Company) and other stakeholders in understanding the nature of the business, how it is managed and its solvency position.

This SFCR is in respect of the solo insurance undertaking of Ecclesiastical Life Limited. The Company is a wholly-owned subsidiary of Ecclesiastical Insurance Office plc (EIO), who in turn is a wholly-owned subsidiary of Ecclesiastical Insurance Group plc (EIG, the Group). An SFCR will subsequently be published covering the SII requirements of the Group.

Our business

The Company is a life insurer operating only in the United Kingdom. Following an outwards transfer of business in 2010 its in-force business consists only of whole of life assurance business associated with funeral plans. It has not written any new business since April 2013 and has no plans to recommence.

As the Company is no longer writing new business its current operations are running off the in-force portfolio. The nature of the policies is such that the administration of the policies primarily involves only payment of death claims.

More information about the company structure and the business we have written can be found in section A below.

Business Performance

The Company reported a pre-tax loss of £6.8m for the year (2018: pre-tax loss £1.5m). The portfolio of funeral policies has continued to run off as expected as claims have been paid. The result benefited from favourable conditions in investment markets resulting in unrealised gains.

Solvency and Financial Condition

The Company uses the Standard Formula to calculate its solvency capital requirement (SCR).

A summary of the Company's solvency position at the end of 2019 and the change over the year is shown below:

Summary Solvency position	2019 £'000	2018 £'000	Change £'000
Own Funds	49,120	52,583	(3,463)
Standard Formula SCR			
Market risk	15,177	15,214	(37)
Counterparty default risk	246	416	(170)
Life underwriting risk	2,978	2,724	254
Diversification	(2,150)	(2,121)	(29)
Operational risk	345	357	(12)
Loss absorbing capacity of deferred tax	(620)	(711)	91
	15,976	15,879	97
Coverage ratio	307%	331%	(24%)

The Company's regulatory solvency position has decreased during the year. Own funds decreased by £3.5m mainly due to a £10m dividend paid to its parent company, Ecclesiastical Insurance Office Plc. This was offset somewhat by the positive operating performance driven by the growth in worldwide equity markets during 2019.

The Company's SCR increased in the year by £0.1m driven by life underwriting risk which has increased following the reduction of real interest rates over the period. This has increased the impact of reinvestment risk where policies stay in-force longer due to increased longevity of lives assured.

More detail on the changes in SCR during the year is given in section E.2 below.

Outlook for 2020

In early 2020, the existence of a new coronavirus, now known as Covid-19, was confirmed and since this time it has spread across the globe and is now characterised by the World Health Organisation as a pandemic. The Company considers Covid-19 a new emerging risk which impacts market risk and operational risk. These risks are being continually monitored and managed under well-established business continuity plans.

The Company and the wider group is regularly monitoring solvency levels and no instances of a breach of its Minimum Capital Requirement (MCR), Solvency Capital Requirement (SCR) or the Board's risk appetite have occurred up to the date of this report being published. The impact of the pandemic is covered in more detail in section A.1 'Significant events'. Serving our customers and the health, safety and well-being of our employees will continue to be our priority throughout the duration of the outbreak.

Statement of Directors' Responsibilities

Ecclesiastical Life Limited

Financial year ended 31 December 2019

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and Solvency II Regulations.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the company's Annual Report & Accounts, confirm that, to the best of their knowledge:

- a) Throughout the financial year in question, the company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b) It is reasonable to believe that, at the date of the publication of the SFCR, the company continues so to comply, and will continue so to comply in future.

By Order of the Board

Mark Hews Chairman

Date: 29 May 2020

A. Business and performance

A.1 Business details and group structure

Name and legal form of the company

Ecclesiastical Life Limited is a limited company incorporated and domiciled in England.

The address of the registered office is:

Beaufort House Brunswick Road Gloucester GL1 1JZ

Supervisory authority

The supervisory authority of the Company and the Group is:

Prudential Regulation Authority Bank of England 20 Moorgate London EC2R 6DA

External auditor

The external auditor of the Company and the Group is:

Deloitte LLP 1 New Street Square London EC4A 3BZ

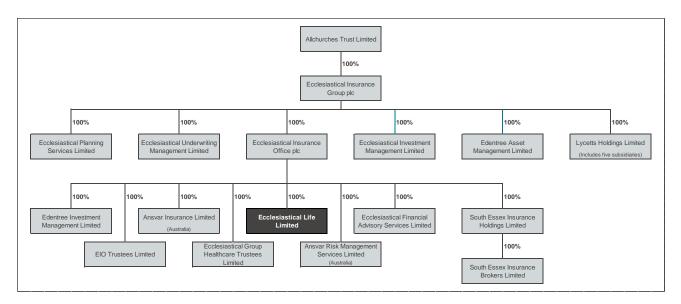
Qualifying holdings

Qualifying holdings are a direct or indirect holding in the Company which represents 10% or more of the capital or of the voting rights, or a holding that makes it possible to exercise a significant influence over the Company.

The entire equity share capital of the Company is owned by Ecclesiastical Insurance Office plc (EIO).

Group structure

Below is a simplified representation of the Ecclesiastical group and the position of the Company within that group:



The Company is a wholly-owned subsidiary of EIO. Its ultimate parent is Allchurches Trust Limited (ATL), a mixed activity insurance holding company. Both companies are incorporated and operate in the United Kingdom.

Lines of business

The Company's only material line of business is index linked life insurance contracts. The Company has not underwritten any new business since April 2013.

Significant events

In early 2020, the existence of a new coronavirus, now known as Covid-19, was confirmed and since this time it has spread across the globe and is now characterised by the World Health Organisation as a pandemic. The Company considers Covid-19 a new emerging risk which particularly impacts market risk and operational risk. These risks are being continually monitored and managed under well-established business continuity plans.

The disclosures in this document are based on the position of the Company at 31 December 2019. Any impact arising from Covid-19 relates to conditions arising after this date and, as such, are considered non-adjusting events.

The Company has a robust and regular solvency monitoring process in place together with a strong risk management framework. Since February 2020 the Company and the wider group has been monitoring the impact of the pandemic on solvency levels, and up to the date of this report being published no instances of

a breach of its Minimum Capital Requirement (MCR), Solvency Capital Requirement (SCR) or the Board's risk appetite have been identified .

The Company's market risk is impacted in the form of reduced asset valuations in certain investment classes and uncertainty around valuation. Operational risk is heightened with a significant and rapid migration to a remote working environment and additional risk associated with key suppliers.

The Company is managing the impact of Covid-19, utilising business continuity and risk management processes where appropriate. Whilst there has been an impact on day to day operations, plans have been implemented to ensure that the Company can continue to provide services to its customers, meet its obligations as they arise, and maintain dialogue with the regulator as required.

Serving its customers and the health, safety and well-being of its employees will remain the main operational priority throughout the duration of the outbreak .The Company and wider group will continue to monitor the situation and the advice from Governments, relevant health authorities and regulators in the countries operated in as the outbreak evolves, and will take appropriate actions if required.

As at 31 December 2019, the Own Funds of the Company amounted to £49,120k (section E.1) and its SCR was £15,976k (section E.2), equating to a solvency coverage ratio of 307%.

The Directors have assessed the impact of financial market falls and expected impact on trading after the balance sheet date by performing a full solvency calculation as at 31 March 2020. Due to the impact depressed equity values have had on the SCR, solvency coverage has actually increased to 350% as at that date. The Company's considerable capital resources have proven resilient to the current market disruption, and the Directors can confirm that the Company continues to both meet its Solvency II regulatory requirements (SCR and MCR) and remain above its internal risk appetite. Nevertheless, the Company has identified relevant management actions that can be taken to ensure solvency remains at satisfactory levels should the position deteriorate further.

Assessments have been made as part of regular solvency monitoring activity as to the impact of the pandemic on financial performance in 2020 and over the plan period and will continue to be developed as the situation evolves. Liquidity projections have also been made and concluded that the Company holds sufficient cash levels to make payments as they fall due.

The Company also expects the trade negotiations between the UK and the EU to increase the risk of continuing investment market volatility and currency instability.

The significant risks to which the Company is exposed and how these are managed are discussed in more detail in section C.

A.2 Performance from underwriting activities

Overall underwriting performance

Underwriting performance	2019 Actual £'000	2018 Actual £'000
Written & earned premium	(13)	21
Claims paid Movement in long term business provision Net expenses and commission	(5,562) 2,752 (270)	(6,111) 6,177 (253)
Underwriting result	(3,093)	(166)
Net investment return of assets backing liabilities	3,424	1,805
Net Underwriting result	331	1,639

The Company has one material line of business and operates solely in the UK. The in-force portfolio of policies consists wholly of whole-of-life insurance policies written for the purpose of funding funeral provision. These policies give rise to claims on the death of the lives assured and reserves are held in the Company's accounts at levels that allow for funding of future benefits and expenses at prudently assessed levels. The Company has not underwritten any new business since April 2013.

During the reporting period claims of £5.6m were paid, compared to £6.1m paid in the prior year. Reserves decreased by £2.8m, in comparison to a £6.2m decrease in reserves in the prior year.

The net result, when movements in assets backing policy liabilities are taken into account, was a profit of £0.3m. The main driver of the operating profit in the current year was the return on the investment portfolio representing the company's surplus assets.

A.3 Performance from investment activities

	Investmen	Investment income		Fair value gains/(losses)		Total return	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	
Debt	2,134	1,998	2,391	(317)	4,525	1,680	
Equities	892	858	4,607	(3,821)	5,499	(2,963)	
Property	48	48	-	25	48	73	
Cash	8	5	-	-	8	5	
Total investments	3,082	2,909	6,998	(4,113)	10,080	(1,205)	
Less: Recognised within	underwriting				(3,424)	(1,806)	
Return of surplus inves	tments				6,656	(3,011)	

The majority of the Company's debt investments are index linked gilts and corporate bonds which are held to match its life insurance liabilities. Fair value gains were reported in 2019 as yields fell in December following the general election. Losses in 2018 reflected a year of Brexit uncertainty. The returns from the debt instruments backing claims liabilities are shown in the underwriting performance table in section A2 above. The overall investment return from these assets was broadly equal and opposite to the movement in claims reserves after allowing for claims payments, due to the close matching position.

The Company also holds a portfolio of debt, equities, and property from which it generates an investment return. Fair value gains were achieved on equity holdings as the United Kingdom markets rallied after the general election in December. In the prior year the markets' performance was more mixed because of Brexit uncertainty, with the FTSE 100 ending 12.5% down while the FTSE 250 ended down 15.6% for the year.

Gains and losses recognised directly in equity

No investment gains or losses have been recognised in equity in either the current or prior year.

Investments in securitisation

No investments are held in securitisation in either the current or prior year.

A.4 Performance from other activities

There are no other material activities in the Company in either the current or prior year.

A.5 Any other information

There is no other material information regarding the Company's business and performance to be reported.

B. System of governance

B.1 General information on the system of governance

Governing Body – Roles and segregation of responsibilities

The Governing Body of the Company is the Board of Directors (the Board). The Board's role is to provide leadership of the Company within a framework of prudent and effective controls which enables the risk which the Group faces to be assessed and managed.

The Board is responsible for: culture and values, strategy and direction, leadership and organisation, governance, risk management and controls, financial expectations and performance and communication.

A formal schedule of matters reserved for the Board's decision is in place and includes strategy and management, structure and capital, financial reporting and controls, risk management and internal controls, contracts, communication, board membership and other appointments, delegation of authority, corporate governance and policies.

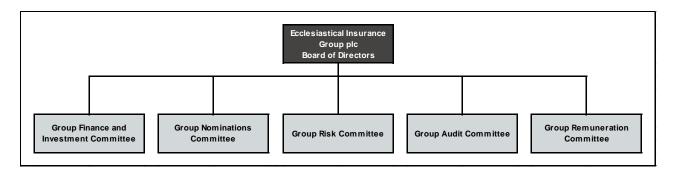
Governing body – Segregation of responsibilities

The approach to segregation of responsibilities is set out in a Governance Framework. The framework establishes appropriate procedures, systems and controls to allow directors and employees to discharge their duties and obligations effectively. Segregation of responsibilities is an important internal control which helps ensure that no one individual has unfettered powers of decision making.

Delegation to committees

Although the Company's Articles allow the Board to delegate powers to committees, to date no regulated entity level committees have been formed by the Company. Functions of an Audit Committee and Risk Committee are performed at the Group level.

Five committees have been established by the board of directors of EIG to support the discharge of their duties including in respect of ELL:



Each Committee operates at a group level and has agreed terms of reference which sets out requirements for membership, meeting administration, committee responsibilities and reporting.

Group Audit Committee

Comprising three EIG Non-executive Directors (NEDs), its responsibilities include:

- overseeing of the Company's financial and regulatory reporting processes;
- overseeing the Company's risk management systems and internal controls;
- reviewing the Company's whistleblowing arrangements;
- reviewing tax strategy and policies;
- overseeing the Company's internal audit function;
- managing the relationship with the external auditor including in relation to the auditors
 appointment, reappointment and resignation, terms and remuneration, independence and
 expertise, non-audit services and the audit cycle; and
- reporting to the Company's Board on how it has discharged its responsibilities.

Group Risk Committee

Comprising three EIG NEDs, its responsibilities include:

- overseeing the Group's risk management framework including risk appetite, tolerance and strategy;
- overseeing the Group's risk and compliance functions;
- reviewing prudential risk and conduct risk; and
- reporting to the EIG Board on how it has discharged its responsibilities.

Roles and responsibilities of key functions

The Governance Framework documents the main roles and responsibilities of key functions as set out below:

Chief Executive Officer

The Chief Executive Officer (CEO) has overall responsibility for sound management of the business and achievement of its objectives. The CEO reports to the Group Chief Financial Officer.

Chief Actuary

The Chief Actuary is accountable for all aspects of actuarial services for the Company, in particular coordination of technical provision calculations and advising on financial risks. The Chief Actuary reports to the Group Chief Risk Officer (CRO) and is accountable to the Board.

Group Internal Audit (GIA)

GIA derives its authority from the GAC and provides independent assurance to the EIG Board that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks to the Company. The Group Chief Internal Auditor is accountable to the Chairman of the GAC.

Group Compliance

Group Compliance provides assurance to the EIG Board that the Company has adequate systems and controls sufficient to ensure compliance with its obligations under the regulatory system and for countering the risk that the Company might be used to further financial crime. It ensures that appropriate mechanisms exist to identify, assess and act upon new and emerging regulatory obligations and compliance risks that may impact the Company.

Group Risk

Group Risk derives its authority from the Group CEO and provides oversight of the prudent management of risk including but not limited to conduct risk, in relation to the Company and, on an aggregated basis, of risk across the Group. This includes designing and recommending policies for the risk appetite and tolerances to the Group CEO for agreement by the Board and ensuring that these are appropriately monitored. The Group CRO reports to the Group Chief Financial Officer (CFO) who is accountable to the Group CEO.

Material changes in the system of governance

There were no material changes to the system of governance during the year.

Assessment of the adequacy of the system of governance

The Governance Framework is formally reviewed and approved by the Board every two years and was last considered in November 2018. It is continually refined to ensure that it appropriately reflects the maturity of the Company's system of governance.

The EIG Board, through the GAC and the GRC, annually reviews the adequacy of the Group's system of governance and has concluded that it is appropriate and effective.

In reviewing the effectiveness the following was considered:

- outcomes from the Control Risk and Self-Assessment process (CRSA);
- outcomes from the Own Risk and Solvency Assessment (ORSA) process;
- findings from relevant internal audits;
- reports from management;
- attestations from business units that they are materially compliant with the governance framework;
 and

• changes in regulation and legislation affecting the governance framework.

In addition, the Board has reviewed its system of governance and concluded that it is appropriate and effective.

Remuneration policy

The Company has no employees. All staff are provided by the Company's immediate parent, EIO. No Directors receive a fee from the Company.

Entitlement to share options, shares or variable components of remuneration

As no staff or directors are remunerated by the Company there are no share options, shares or variable components of remuneration.

Supplementary pension or early retirement schemes for the members of the board and other key function holders

As no staff or directors are remunerated by the Company there are no supplementary pension or early retirement schemes provided by the Company.

Material transactions during the reporting period with shareholders, persons who exercise a significant influence, and with members of the board

During the reporting period a dividend payment of £10m was paid to EIO out of distributable reserves in the Company's shareholder fund for the period ended 30 September 2019.

B.2 Fit and proper requirements

In order to determine fitness and propriety of all senior roles within the Group, individuals are subject to a competency-based interview following an analysis of their CV.

The competency-based interview is intended to explore the candidates' experience and qualifications and would explore:

- appropriate market knowledge;
- business strategy;
- financial analysis;
- governance and risk management;
- oversight and controls;
- · regulatory framework; and
- cultural fit.

Criminal record checks (DBS) and sanctions checks are carried out for each person in quantifying honesty, integrity and reputation along with a credit check to assist in verifying financial soundness. The Group will also check the Financial Conduct Authority (FCA) register where persons have previously held a regulatory role to check that no disciplinary actions have occurred against them. References are also taken from previous employers.

The Group implemented the Senior Managers and Certification Regime during late 2018 and 2019 which came into effect on 10 December 2018. The Group's approach to Fitness and Propriety was reviewed and refined. In late 2019, the process of assessing fitness and proprietary rolled out for all Senior Managers and Certified persons.

In 2018, the company identified those employees who were carrying out a certificated role. This is defined as person performing a role which is involved in one of more aspects of the firm's affairs, so far as relating to a regulated activity and those aspects involve, or might involve, a risk of significant harm to the firm or any of its customers. Those who were deemed to be carrying out certificated functions, were assessed against the fitness and proprietary checks in late 2019.

The fitness and proprietary checks consisted of:

- disclosure and barring (DBS) Criminal records check;
- credit check;
- individuals self assessment against fitness and proprietary questions;
- check that the employee has undertaken sufficient continuous professional development;
- check that the employee has completed required mandatory training; and
- check that the employee has performed satisfactorily.

B.3 Risk management system including the ORSA

Overview of the risk management system

The Company is managed within an enterprise-wide risk management framework that is embedded across the wider Group with the purpose of providing the tools, guidance, policies, standards and defining responsibilities to enable the Company to achieve its strategy and objectives. The risk management framework is owned by the Board with day to day responsibility for its implementation and oversight delegated to the Group Risk function, led by the Group CRO.

Regulatory requirements for risk management are complied with at all times and are regarded as the minimum standards. The risks relating to the Company are overseen by the CEO and the ELL Board, with appropriate escalation to the GRC or GAC as necessary. The adequacy of the risk management framework is reviewed on an annual basis at a group level.

Effectiveness of identifying and managing risks

A key tool used in the risk framework is the risk appetite. The Board has established a risk appetite for the Company, which focuses on the material risk areas and establishes the risk-taking capacity of the Company. This is monitored and any breaches of appetite are reported to the ELL Board.

The Board also uses the ORSA process as a tool to assess the effectiveness of the system of governance and risk management, and whether revisions are required to cover any changes to the undertaking's current and future business strategy and operations.

Implementation of the risk management function

The risk management process operates within the framework of the Group and deploys a strong three lines of defence model whereby:

- 1st Line (Business Management) is responsible for strategy execution, performance, identification and management of risks and the application of appropriate controls;
- 2nd Line (Reporting, Oversight and Guidance) is responsible for assisting the Board to formulate risk appetite, establish minimum standards, develop appropriate reporting, oversight and challenge of risk profiles and risk management activities; and the
- 3rd Line (Assurance) provides independent and objective assurance of the effectiveness of the Company's systems of internal control. This activity principally comprises the GIA function which is subject to oversight and challenge by the GAC.

The risk management process is an ongoing process with regular assessment of the risk profile.

Own risk and solvency assessment process

The Group conducts an ORSA process as a key part of its business management and governance structure. The objective is to demonstrate that the Group has, or can access, the necessary resources to carry out our corporate strategy and business plan in the context of risk policy, risk appetite, a forward looking assessment of risks, the potential for stress and the quality of our risk management environment.

A single report is produced at EIG Group level, though all the appropriate assessment is carried out for all relevant companies in the Group, including the Company at a solo level. Key steps in the process are:

- a review of risks identified and included in the risk profile;
- ongoing identification of any new and emerging risks;
- quantification of all material risks identified;
- calculation of the overall capital requirements and solvency position of the Company over the plan period, using both the Company's own view of risk and regulatory measures;
- carrying out stress tests and scenario analysis;
- comparison of the risk profile and stressed positions with the risk appetite;

- review of the business plan in light of the projected risk profile and capital requirements;
- confirmation that the business has sufficient capital to deliver the business plan; and
- preparation of a report for the Board summarising findings.

A supplementary ELL specific ORSA report sets out the elements of the ORSA process that relate specifically to ELL and is appended to the Group ORSA Report.

The ORSA process is co-ordinated by the Group Risk function. For the Company it is led by the Chief Actuary, and approved by the Board.

Frequency of review

The ORSA is an ongoing process that operates on an annual cycle with a report, covering the solvency position at the reference date of 31st December. The annual frequency is deemed sufficient for carrying out a full ORSA due to the stable nature of the business model, maturity of the risk framework and surplus capital held. However, the ORSA is re-run, either in full or partially, in accordance with several pre-defined ORSA triggers that are defined and monitored to identify events that could significantly impact business decision making.

The most recent Group ORSA and ELL ORSA Reports were approved by the Group and ELL Board respectively in November 2019.

Determination of own solvency needs

The ORSA includes all risks to which the Company is exposed, including consideration of any risks not included in the Standard Formula for the calculation of regulatory capital requirements. For the purpose of determining the own solvency needs of the Company the assessment is made on the Group's chosen measure of economic capital, a 1 in 200 year value at risk. The equity transitional measure included in the Standard Formula is not used when assessing the Company's own solvency needs. The Company currently has significant levels of capital in excess of that needed to maintain solvency and does not have any plans to change its capital structure, although the capital position and risk profile are regularly monitored in the context of the Company's risk appetite.

B.4 Internal control system

Internal control system

The Internal control system is implemented by the Board and Group Management Board, and ensures that the Company is managed efficiently and effectively. This system is set up at a Group level, with appropriate implementation in the Company's operations. Group level policies are adhered to and the Company has appropriate business processes that ensure all risks are managed in line with the risk appetite and risk framework.

The control framework comprises the following elements:

- *Control environment:* A business culture that recognises the importance of systems of control, with the establishment of an operational environment that maintains effective controls and provides adequate resources to operate the control framework to required standards;
- *Objective Setting:* management has in place a process to set objectives and the chosen objectives support and align with the Group's mission and are consistent with risk appetite
- Risk Assessment: Internal and external events that affect the achievement of business objectives are
 identified, distinguishing between risks and opportunities. Risks are analysed, with appropriate risk
 responses selected by the Board and GMB. Where appropriate, actions are developed to align risks
 with the Company's risk tolerance and appetite
- *Control standards:* a policy framework that establishes the Board's minimum standards for the mitigation of risk within the stated appetite;
- *Control activities:* business processes that include control activities designed to mitigate risks to the level required to meet the control objectives;
- Monitoring activities: regular monitoring of controls aligned to their materiality,
- *Training and communication:* effective communication of required control standards and adequate training to ensure those operating or monitoring controls can do so effectively;
- Recording: clear documentation of controls to enable their ongoing operation; and
- Reporting: reporting of material control effectiveness to allow appropriate decision makers to
 understand whether control objectives are being met or whether action is required to strengthen the
 control environment.

Compliance function

Group Compliance oversees relevant compliance activity for the Company. The function sits within the firms three lines of defence model and is responsible for:

- identifying, assessing, monitoring and reporting on the Company's compliance risk exposures;
- assessing possible impact of regulatory change and monitoring the appropriateness of compliance procedures; and
- assisting, challenging and advising the Company in fulfilling its responsibilities to manage compliance risks.

In order to ensure adequate risk control the Compliance function applies the principles and requirements of the Group Compliance charter. This sets out the roles and responsibilities of the Compliance function and those policies where it has delegated responsibilities.

The charter also sets out the Compliance function's objectives and their key performance measures. The Group Compliance function gains its authority from the GRC and the Compliance Director is accountable to the Chairman of that committee.

B.5 Internal audit function

Implementation of the internal audit function

Group Internal Audit (GIA) receives its authority from the GAC, which is a committee established to review the work of the internal audit functions of the Company and the wider group and to evaluate the adequacy and effectiveness of all controls operating in the Group, including financial, operating, compliance, and risk management controls.

Adequate and effective risk management, internal control, and governance processes reduce but cannot eliminate the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented or overridden and the occurrence of unforeseeable circumstances. Adequate and effective risk management, internal control, and governance processes therefore provide reasonable, but not absolute, assurance that the Group will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business.

GIA maintains a professional audit team with sufficient knowledge, skills, experience and professional qualifications. Where specialist, technical support is necessary to supplement GIA resource, this is available through a co-sourcing contract with an external specialist company, ensuring that GIA has immediate access to specialist skills where required. GIA confirms to the GAC that the International Standards for the Professional Practice of Internal Auditing of the Chartered Institute of Internal Audits are complied with.

GIA operates within the Company's three lines of defence model. In order to operate an effective framework GIA maintains regular and ongoing dialogue with the first and second line functions to maintain a current and timely perspective of business direction and issues.

Demarcation between the third line of defence and the first two lines must be preserved to enable GIA to provide an independent overview to GAC and the Board on the effectiveness of all risk management and assurance processes within the organisation. Should any blurring of the roles of the three lines of defence take place it should be exceptional and approved by the GAC.

The GIA methodology provides a series of different assurance responses to a variety of scenarios to give the stakeholders the best assurance as follows:

- risk-based internal audits GIA's standard audit response, this methodology will also be used to
 respond to most management requests for assurance and focuses on assessing the adequacy and
 effectiveness of key controls mitigating High and Very High risks;
- programme & project assurance A series of risk-based assurance responses to programmes and projects. This differs from standard risk-based audits in that it focuses on key controls as well as the commercial aspects of the programme, such as benefits realisation;
- *close and continuous* This will involve GIA having regular meetings with key stakeholders and attending decision making forums as appropriate. It will also include ongoing assessment of key

documents as they are produced. Any concerns will be raised with management at an early stage to allow the programme to address them in a timely manner; and

• consultancy - Completing a piece of ad-hoc work for management, usually around the development of controls in a specialised area. Such work may be characterised by the need to formally contract with the business to assist in control development. GIA will rarely perform these pieces of work as they potentially compromise their independence.

The above are communicated through the following methods:

- reporting to the GAC, including thematic reporting. Quarterly reporting is provided to the GAC, where the Group Chief Internal Auditor attends GAC meetings to summarise the output within the reporting period and provide an opinion on a number of key risk themes; and
- internal audit reports. In addition to the audit client, internal audit reports are issued to all executive management and members of the GMB and the external auditor. Reporting of issues focuses on describing the control breakdown or failure, who was responsible and the risk that has materialised or could potentially materialise.

In response to the issues raised by GIA, management is required to document the steps they are taking to address the issue, provide a realistic timescale and, importantly, the action is assigned a single owner to enhance accountability.

Independence of the internal audit function

To ensure the independence of GIA, the Group Chief Internal Auditor is accountable to the EIG GAC Chair, reports administratively to the Group Chief Financial Officer and has access to the Chairman of the EIG Board.

Financial independence, essential to the effectiveness of internal auditing, is provided by the GAC approving a budget to allow GIA to meet the requirements stated above.

GIA is functionally independent from the activities audited and the day-to-day internal control processes of the organisation and is therefore able to conduct assignments on its own initiative, with free and unfettered access to people and information, in respect of any relevant department, establishment or function of the organisation, including the activities of branches and subsidiaries and outsourced activities.

Where it is identified by data owners that information should be redacted before being provided to members of the GIA team, the redacted information will be reviewed by the Group Chief Internal Auditor to ensure that the redaction is appropriate and does not constitute a restriction of scope. In the event that the redacted data relates directly to the Group Chief Internal Auditor, or the GIA team, the Chair of the Group Audit Committee will review the redactions and confirm (or otherwise) to the Group Chief Internal Auditor whether the redactions are appropriate.

The Group Chief Internal Auditor and staff of GIA are not authorised to perform any operational duties for the Company or wider Group or direct the activities of any employee not employed by GIA.

B.6 Actuarial function

The actuarial function is headed by the Chief Actuary, an employee of EIO who holds a Life Chief Actuary Practising Certificate issued by the Institute and Faculty of Actuaries. Resource for carrying out actuarial work is obtained from an external actuarial consultancy. Peer review is undertaken by an external actuarial consultancy.

The primary responsibility of the actuarial function is the co-ordination of the calculation of the technical provisions and value of insurance liabilities for the purposes of both the Company's accounts and in meeting the regulatory requirements under SII. It recommends bases for calculations which, when approved by the Board, are used to derive the results. To support this activity the actuarial function carries out investigations of experience, most notably for mortality, and compares outcomes to assumptions used in calculations of technical provisions.

The actuarial function is responsible for assisting the risk management function in assessment of risk and ensuring that the Board is provided with sufficient information to understand and oversee the management of material risks exposures. In particular, the actuarial function will assess the asset and liability matching position of the Company and recommend any changes necessary to remain within risk appetite.

B.7 Outsourcing

The Company has no direct employees and outsources its fund management, actuarial, back office and administration processes to companies within the Ecclesiastical Insurance Group Plc. The Company will continue to operate in this manner provided that the arrangements do not:

- materially impair the quality of the system of governance of the Company;
- unduly increase operational risk;
- impair the abilities of the Company's regulators to monitor the compliance of the Company with its obligations; or
- undermine continuous and satisfactory service to the Company's customers.

The Company remains responsible and accountable for any activities it has outsourced and operates a defined framework for outsource provider selection and management that includes risk assessing the services, conducting regular and appropriate due diligence and managing the outsource provider relationship and performance.

Comprehensive written contracts are entered into with accountability for managing the delivery of the services assigned to an individual manager within the Company along with a Senior Executive as ultimate owner. Exit and contingency plans are documented and are reviewed on a frequent basis to ensure they remain appropriate.

Outsourcing of critical or important functions or activities

The Company has not entered into any external material outsourcing contracts. The Company's investment management activity is outsourced to EdenTree Investment Management Limited, a subsidiary of EIO. This is a comprehensive investment management agreement in place. EdenTree outsource trustee services and custodian and dealing services.

B.8 Any other information

There is no other material information regarding the Company's system of governance to report.

C. Risk profile

C.1 Underwriting risk

The following table provides a quantitative overview of the Company's level of exposure to life underwriting risk:

Life underwriting risk	2019 £'000	2018 £'000
Longevity risk	2,730	2,474
Life expense risk	689	678
Diversification	(441)	(428)
	2,978	2,724

Underwriting Risk exposure

The Company is exposed to only a limited level of underwriting risk. Nearly all of the policies pay a benefit on death of the life assured to provide payment for a funeral. In the current interest rate environment the reserve held for each policy is in excess of the current benefit levels. As benefit amounts increase with inflation there is a risk that the population of lives assured survive longer than assumed in the reserving calculations and that an inflation-linked return cannot be achieved on the assets backing the reserves held. There is also a risk that expenses increase over the period that the liabilities remain in-force such that the provisions made are inadequate.

With the Company no longer underwriting new business the nature of underwriting risk exposure does not change over time. The risk exposure is measured as part of the ongoing process of valuation of the Company's liabilities and the mortality experience of the portfolio is investigated annually.

Over the year there has been an increase in the quantification of this risk due to the impact of lower real interest rates increasing the stressed values of benefits being paid later in the event of increased longevity of assured lives.

Underwriting Risk concentration

All policies have been underwritten in the United Kingdom on lives of older UK residents, but there is no identified further concentration of risk within this group.

Underwriting Risk mitigation

This risk has overlaps with market risk as it relates to reinvestment risk in the event of increased longevity. The primary technique for mitigating this risk is to match assets to expected duration of payment. This

position is monitored at least annually by the Actuarial Function who will also monitor the Company's and the wider population's experience to ensure that reserving assumptions remain appropriate.

Underwriting Risk sensitivity

Sensitivity analysis is carried out to identify the immediate impact on technical provisions in the event of a reassessment of longevity rates, an increase in unit per policy expenses and higher than expected expense inflation. These concluded that the Company is able to remain comfortably solvent in the event of such stresses.

C.2 Market risk

The following table provides a quantitative overview of the Company's level of exposure to market risk:

Market risk	2019 £'000	2018 £'000
Interest rate risk	2,324	1,876
Spread risk	8,116	7,912
Equity risk	7,332	7,386
Property risk	100	100
Market concentration risk	1,174	1,367
Currency risk	1,252	1,848
Market Diversification	(5,121)	(5,275)
	15,177	15,214

Market Risk exposure

The Company manages its investment assets in two distinct categories. Firstly, it has a long-term fund that holds assets to back the technical provisions held for its insurance obligations and some surplus in respect of risk capital associated with these assets and liabilities. Secondly, it maintains a shareholders' fund with surplus assets that are managed as part of its parent company's surplus funds and where there is an appetite for bearing materially greater levels of market risk.

The long-term fund has a low appetite for market risk. The main risk exposure is to spread risk and default risk on the portfolio of index-linked corporate bonds. This exposure is defined by the value of corporate bonds held and measured by assessing likelihoods of spreads widening and default rates over future periods. Whilst the spread risk can cause volatility in the Company's balance sheet over short time periods, the strategy of holding bonds to maturity should mean that permanent losses will not occur unless bonds default. There was no material change in holdings of corporate bonds over the reporting period, so no material changes in the level of this risk. Limits are set for the exposure to a single counterparty and any sub-investment quality bonds are permitted only if approved by the Board.

The matching of assets and liabilities by duration means that the net exposure to interest rate risk is kept to a level commensurate with risk appetite. There is no currency risk in this fund as all assets and liabilities are in pounds Sterling.

The most material market risks that the Company is exposed to from investments in the shareholders' fund are:

- equity risk, with the majority of this fund (£26.1m) being invested in such stocks, primarily through investment in Open Ended Investment Companies (OEICs);
- currency risk arising from investment in overseas assets (£6.6m), primarily equities, in order to provide diversification and gain from opportunities in different economies;
- spread risk and default risk, arising from investment in corporate bonds (as for the long-term fund);
 and
- interest rate risk the fund has £14.9m invested in fixed-interest stocks, where there is a risk of falls in value in the event of rises in interest rates.

The market risk profile of the shareholders' fund changed over the year such that there is less exposure to equity risk and more to interest rate and spread risk than at the start of the year. Approximately £10.0m of equity investments were sold towards the end of 2019 to raise liquidity for a dividend payment to the parent company. However, increases in market values of equities over the period partially offset this reduction in equity exposure.

Compliance with prudent person principle

The investment mandate to the investment manager specifies the types of assets that the Company wishes to invest in. This only permits acquiring assets where the risks are well-understood and does not allow complex asset structures. There are no material investments in assets other than equity, fixed interest, and cash. Most of the exposure to equities is through investment in collective investment funds. Regular investment risk reports are provided from the asset managers that enable the Company to fully understand the risks in the assets. These reports are reviewed by the Group's Market & Investment Risk Committee. The assets in this fund are included in the Group's economic capital model so quantitatively assessed.

At a Group level limits are placed on the proportions of assets that can be invested in the various asset classes, countries and industry sectors, exposure to single counterparties and quality of issuers. These limits are tracked regularly. No investments in non-standard assets are permitted without sign-off by the Finance & Investment Committee of the parent company Board, and no such assets are currently held by the Company.

The Company has not held any derivatives over the reporting period. All investment risks are monitored regularly, overseen by the Life Management Committee and reported to the Board as appropriate.

Market Risk concentration

The majority of market risk exposure is located in the UK. The largest exposure is to the UK government, with 29% of total investments being in UK gilts. There are no other material concentrations of market risk as the portfolio is well diversified. Other than government stock, the largest single exposure is below 4% of total investments.

Market Risk mitigation

The main market risk mitigation technique adopted by the Company is matching of expected future liability cash-flows with appropriate assets. In particular, all assets held at 31 December 2019 to notionally back the technical provisions for the insurance contracts shared the characteristics with the liabilities of being denominated in pounds Sterling and linked to the Retail Prices Index, so mitigating these elements of currency and inflation risk.

Further interest rate risk is mitigated by matching of duration of cash-flows across the portfolio. This position is monitored regularly and the assets held changed as necessary to maintain sufficiently close matching.

Market Risk sensitivity

Stress-tests have been carried out to assess the effect of adverse changes in market conditions on the profits and solvency position of the Company. This includes falls in equity markets, changes in interest rates, widening of spreads on corporate bonds and defaults of the largest counterparty. These concluded that the Company is able to remain comfortably solvent in the event of such stresses.

C.3 Credit risk

Credit Risk exposure

The only material credit risk exposure of the Company is in respect of cash held in banks.

Credit Risk concentration

The largest credit risk exposure at 31 December 2019 was from deposits held with the Bank of New York of £2.4m.

Credit Risk mitigation

The Company does not maintain substantial cash bank balances. It uses different banks for its investment and operational accounts.

Credit Risk sensitivity

This risk is straightforward to assess. A default by a bank could potentially lead to loss of all funds deposited at that bank. The maximum downside for the Company, leading to a full loss of the maximum amount of exposure, would not cause material financial concern.

C.4 Liquidity risk

Liquidity Risk exposure

The Company has identified potential triggers for the crystallisation of liquidity risk, being:

- more deaths in a period than those assumed in the best estimate projections;
- a significant number of policy surrenders, though this is assessed to be low with very few occurring each year; and
- expenses exceeding projected levels.

None of these circumstances are assessed as being sufficiently severe to cause concern. The monitoring of expected future asset and liability cash-flows enables this risk to be assessed.

Liquidity Risk concentration

All of the assets held to meet future payments to policy holders are invested in government or corporate bonds. 40% of these, by market value at 31 December 2019, are issued by the UK government, with the balance being distributed across various counterparties with no significant concentrations of liquidity risk.

Liquidity Risk mitigation

The Company carries out regular forecasts of future expected cash-flow requirements and maintains cash balances that are sufficient to cover these for several months in normal conditions. The Company operates a "hold to maturity" strategy for assets backing liabilities, with the portfolio constructed so that assets are usually available to meet emerging benefit payment requirements. Most of the Company's investments held to back insurance liabilities are highly liquid assets so should be readily accessible in stressed circumstances.

Expected profit in future premiums

The total amount of expected profit included in future premiums as calculated in accordance with Article 260(2) is £3,795.

C.5 Operational risk

Operational Risk exposure

The Company defines operational risk as "The risk of loss arising from inadequate or failed internal, processes, people and systems, or from external events". The definition includes conduct of business, other aspects of compliance and legal risk but excludes strategic and reputational risks which are considered separately in section C.6. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

The head of the business unit that manages the Group's funeral plan business carries out an assessment of the operational risks, with support from the Group's risk function and reviewed by the Board.

The Company is exposed to a number of different types of operational risk which at a high level can be categorised as people risk, systems risk, process risk, regulatory risk, legal risk, and external environmental factors. The most material risks to which the company is exposed are key-person risk, due to the scale of the business and its reliance on a small number of staff and systems risk. There have been no material changes in risk exposure over the reporting period.

Operational Risk concentration

The small scale of the Company's operations can be considered to give a concentration of operational risk. It operates with a single administration system and a small team of people which creates single points of failure and key person risk. Management of this is recognised as necessary to ensure sufficient resilience of the business with the risk being accepted as an inevitable consequence of the size and nature of the firm.

Operational Risk mitigation

The Company accepts operational risk as a natural consequence of doing business. Mitigation is sought where it is cost effective to do so or where there is a regulatory requirement.

Mitigation techniques with respect to operational risk centre on the use of preventative and detective controls. Preventative controls are sought to either avoid a particular risk materialising or lessening its impact if it does. Detective controls also provide value in helping to flag that a risk exposure is changing or is impacting business activities in a particular way. This allows corrective actions to be taken or planned to ensure that the risk exposure will not threaten the achievement of the strategic objectives of the Company.

The wide range of mitigation techniques used to manage operational risk reflects the diversity of the drivers within this category of risk. Specific operational risk mitigation techniques are recorded in a risk profile. The techniques are assessed according to their design and operational effectiveness, with further actions put in place where deficiencies are identified. These assessments are made on a regular basis as part of formal risk profile reviews. These regular assessments enable the ongoing effectiveness of the various mitigation techniques to be reviewed and actions taken where required.

A Group Operational, Regulatory and Conduct Risk Committee has been established to provide oversight of the relevant risk across the Group. Escalation and monitoring reports are provided to this committee to provide information on the key risk exposures and mitigants.

Operational Risk sensitivity

The Company has carried out scenario analysis for the operational risks identified as the most material. This has involved key managers in the business, with assistance from the Group Risk function, considering the range of circumstances that could trigger an operational risk event, assessing the controls in place and determining likely actions that would take place in the event of these risks crystallising.

This analysis concluded that the key risks are being managed appropriately and the Board agreed with the actions that would be taken.

C.6 Other material risks

Other Material Risk exposure

The other material risks that the Company is exposed to are strategic, group and reputational risk.

Strategic risk relates to risks associated with the effective development and implementation of the Company's strategy. The Company is no longer writing any new business and its current strategy is to manage the operations effectively and prudently throughout the run-off of the claims. In this context, the Company assesses that strategic risk is not material.

Group risk relates to exposures resulting from belonging to a Group of operating companies. One particular risk that applies to each Company that is part of a group is contagion risk, the effect of an event in one part of the Group having an adverse impact on other parts of the Group.

Reputational risk relates to exposures that would result in negative reputational impacts upon the Company were they to occur. Reputational risks are often attached with other risk types. For example, a regulatory breach (operational risk) will have reputational risks associated with it.

Other Material Risk concentration

There are no material risk concentrations from these risks and they have remained largely unchanged over the reporting period.

Other Material Risk mitigation

The Company's system of governance covered in section B helps to mitigate these risks.

Other Material Risk sensitivity

All of these risks have been considered when developing the business plans and actions have been derived to address the risks identified. All key risks are also explored within the stress-testing and scenario analysis framework in order to ensure that the business has a good understanding of their potential impacts.

C.7 Any other information

There is no other material information to report regarding the risk profile of the Company.

D. Valuation for solvency purposes

All material asset and liability classes, other than technical provisions, have been valued in accordance with Article 75 of Directive 2009/138/EC (the Directive) and Articles 7 to 16 of the Delegated Regulation (EU) 2015/35 (the Delegated Act), taking into account the European Insurance and Occupational Pensions Authority (EIOPA) publication 'EIOPA-BoS-15/113 – Guidelines on recognition and valuation of assets and liabilities other than technical provisions'.

Technical provisions have been valued in accordance with Articles 76 to 86 of the Directive.

As permitted by Article 9 of the Delegated Act, the valuation of assets and liabilities are based, where appropriate, on the valuation method used in the preparation of the annual financial statements. The financial statements have been prepared in accordance with international financial reporting standards (IFRS) and audited by external auditors.

Material assets and Liabilities are defined as assets and liabilities that are valued in excess of £491k (Equivalent to 1% of IFRS net assets).

International Accounting Standard (IAS) 39, Financial Instruments: Measurement and Recognition, requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirement is different.

The classification depends on the nature and purpose of the financial assets and liabilities, and is determined at the time of initial recognition. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification.

Financial instruments designated as at fair value through profit or loss and hedge accounted derivatives under International Financial Reporting Interpretations Committee (IFRIC) 16 are subsequently carried at fair value.

All other financial assets and liabilities are held at amortised cost using the effective interest method, except for short-term receivables and payables where the recognition of interest would be immaterial.

The Directors consider that the carrying value of those financial assets and liabilities not carried at fair value approximates to their fair value.

D.1 Assets

Solvency II valuation of assets

A copy of the quantitative reporting template (QRT) 'S.02.01.02 – Balance sheet' is included in appendix 1. The table below summarises the Solvency II valuation and the variance against the financial statements prepared in accordance with IFRS, with a breakdown of the valuation of assets:

Reconciliation from IFRS to Solvency II valuation	31-Dec-19 As reported IFRS Basis £'000	Reclassify to aid comparison	31-Dec-19 Reclassified IFRS £'000	Net valuation movement	31-Dec-19 Solvency II Valuation £'000
Total assets	129,632	(252)	129,380	-	129,380
Total liabilities	80,546	(252)	80,294	(34)	80,260
Net assets	49,086		49,086	34	49,120
Analysis of Assets					
Investments	126,158	568	126,726	-	126,726
Receivables (trade, not insurance)	627	(568)	59	-	59
Insurance & intermediaries receivables	252	(252)	-	-	-
Any other assets	10	-	10	-	10
Cash and cash equivalents	2,585	-	2,585	-	2,585
Total assets	129,632	(252)	129,380		129,380

The table includes reclassification of certain IFRS assets and liabilities to aid comparability. This has been done as items such as insurance and intermediaries receivables, which are included within other debtors in the annual financial statements, are included within the valuation of insurance liabilities for SII provided they are not past their due date. Moving this balance from assets to liabilities removes the need to disclose the same difference in both assets and liabilities.

A description of how the assets have been valued, and any differences from the IFRS valuation, are explained below:

Investments - overview

The fair value measurement basis used to value investments held at fair value is categorised into a fair value hierarchy as follows:

Level 1: fair values measured using quoted bid prices in active markets for identical assets. This category includes listed equities in active markets, listed debt securities in active markets and exchange-traded derivatives.

Level 2: fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category

includes listed debt or equity securities in a market that is not active and derivatives that are not exchange-traded.

These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

Level 3: fair values measured using inputs for the asset that are not based on observable market data (unobservable inputs). This category includes unlisted debt and equities, including investments in venture capital, and suspended securities. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee, translated into the Company's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

Investments-property

Included within investments is £400k of investment property, comprising land and buildings which are held for long-term rental yields and is carried at fair value. Investment property is valued annually by external qualified surveyors at open market value.

Receivables (trade, not insurance)

Accrued interest of £568k included within 'receivables (trade, not insurance)' in the financial statements have been moved to investments as investment valuations are valued inclusive of accrued interest for SII. This is a presentational difference only with no change in value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. As cash balances are not subject to a significant risk of change in value, they are considered to be held at fair value.

Other assets

Intercompany debtor balances with the Company's parent and other entities within the wider group are shown as any other assets. The balances are repayable on demand, and the amortised cost is assumed to approximate to fair value.

D.2 Technical provisions

Solvency II valuation of technical provisions and assumptions used

The company has only one material line of business; whole of life policies backing funeral plans. The value of technical provisions at 31 December 2019 was:

Technical provisions	2019 £'000	2018 £'000
Best estimate liabilities	76,833	79,666
Premium debtors	(252)	(339)
Risk margin	2,346	2,046
	78,927	81,373

The technical provisions are valued by projecting probability-weighted future cash-flows using best-estimate assumptions and discounting these to the reporting date using the risk-free discount curve specified by EIOPA.

The main assumptions made for this are:

- mortality 96% of population mortality tables, ELT16M (males) and ELT16F (females) in 2020 with improvement of 1% per annum in future years;
- benefit escalation (Retail Prices Index (RPI)) derived from market inflation swap rates at the reporting date (31 December 2019); and
- future renewal expenses £13.20 per policy per annum, inflating at RPI (as above) plus 0.75% per annum.

Level of uncertainty

Judgement is made to derive all of the assumptions used in the calculation of technical provisions. For each of these the actual future outcomes may differ from the values assumed, so giving uncertainty in the value of technical provisions.

The assumed level of future inflation will affect the value of assumed future benefit payments and so the value of technical provisions. The assumptions are derived from market swap rates at the reporting date and are consistent with the methodology used to set the risk free yields.

The assumption of future levels of mortality will have a relatively minor impact on the value of technical provisions. Experience of this portfolio of business has been sufficiently credible to give comfort that the level of mortality in 2020 will not deviate materially from the base level assumption. For the future improvements in mortality, the uncertainty that would lead to an increase in value of liabilities is related to greater annual rates of improvement than assumed.

The expenses incurred in running off the in-force business could differ from assumed levels, though the expense base for the Company has been relatively stable in recent years.

Comparison of solvency II technical provisions with valuation in annual financial statements

A key difference between the valuation of liabilities for solvency purposes and those used in the financial statements is that the latter includes a margin for each assumption whereas the former uses best estimates and incorporates an explicit risk margin. The underlying best estimates are the same for both bases.

In addition the SII valuation discounts cash flows using a risk-free curve derived from swap rates with the addition of a volatility adjustment (15 basis points at 31 December 2019), whilst the valuation for the financial statements uses a flat discount rate based on the risk-adjusted yield of the assets backing the insurance liabilities.

The expenses assumed in future cashflows differ between the bases; the SII basis assumes that a unit expense at the current level, which has been benchmarked against industry levels, will continue to be incurred into the future. For the financial statements it is assumed that a material element of the expense base is not fully linked to policy volumes.

The overall impact of the differences (SII basis compared with financial statements) are:

Reconciliation from IFRS to SII	2019 £'000	2018 £'000
IFRS reserves	79,213	81,964
Expenses assumed	(3,409)	(3,032)
Real interest rate	2,279	1,998
Investment expenses	(57)	(180)
Mortality	(1,193)	(1,084)
Premium debtors	(252)	(339)
Explicit Risk Margin	2,346	2,046
SII technical provisions	78,927	81,373

Use of the matching adjustment

The matching adjustment has not been used in the calculation of technical provisions.

Use of the volatility adjustment

The volatility adjustment is used to calculate the value of technical provisions for the single premium funeral plan business.

If the volatility adjustment was changed to zero, the impact would be an increase in technical provisions of £1,218k, an increase in the SCR of £61k, an increase in the Minimum Capital Requirement (MCR) of £15k, and

a decrease of £1,218k in both basic own funds and amount of own funds eligible to cover the SCR and the

Use of the transitional risk-free interest rate-term structure and the Directive Article 308[d] transitional deduction

The transitional risk-free interest rate term structure and transitional deduction are not applied in calculating the technical provisions.

Recoverables from reinsurance contracts and special purpose vehicles

There are no recoverables assumed from reinsurance contracts or special purpose vehicles. This is unchanged from the previous reporting period.

Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

The most material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period are those reflecting economic conditions and outlook at the reference dates of the respective calculations. A reduction in real interest rates has led to an increase in the value of technical provisions from the values based on the previous year's assumptions.

D.3 Other liabilities

MCR.

Solvency II valuation of other liabilities

A copy of the quantitative reporting template 'S.02.01.02 – Balance sheet' is included in appendix 1. The table below summarises the SII valuation and the variance against the financial statements prepared in accordance with IFRS, with a breakdown of the valuation of liabilities:

Reconciliation from IFRS to Solvency II valuation	31-Dec-19 As reported IFRS Basis £'000	Reclassify to aid comparison	31-Dec-19 Reclassified IFRS £'000	Net valuation movement	31-Dec-19 Solvency II Valuation £'000
Total assets	129,632	(252)	129,380	-	129,380
Total liabilities	80,546	(252)	80,294	(34)	80,260
Net assets	49,086		49,086	34	49,120
Analysis of Liabilities					
Technical provisions - life	79,213	(252)	78,961	(34)	78,927
Payables (trade, not insurance)	58	-	58	-	58
Deferred tax liabilities	1,275	-	1,275	-	1,275
Other Liabilities	-	-	-	-	-
Total liabilities	80,546	(252)	80,294	(34)	80,260

As explained in section D.1, the table includes reclassification of certain IFRS assets and liabilities to aid comparability. A description of how the liabilities have been valued, and any differences from the IFRS valuation, are explained below:

Technical provisions - life

The valuation of technical provisions and differences in methodology compared with the financial statements are covered in section D.2.

Payables (Trade, not insurance)

All balances recognised are short term in nature and so their carrying value in the financial statements is deemed to be an appropriate approximation of fair value.

Deferred tax liabilities

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and laws which have been enacted or substantively enacted at the year-end date.

For SII the deferred tax liability has been recalculated to take into account the valuation differences between the financial statements and the SII valuation of assets and liabilities. As this timing difference is not expected to reverse in the foreseeable future, the tax rate used is 17%, being the rate that becomes effective from April 2020.

The deferred tax liability is mainly in relation to unrealised gains on financial investments.

D.4 Alternative methods for valuation

No alternative valuation methods have been adopted for the valuation of assets or liabilities.

D.5 Any other information

There is no further material information regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

Under SII, capital that the Company can use to meet its regulatory SCR and MCR is called Own Funds.

Off balance sheet items that can be called upon to absorb losses are called Ancillary Own Funds. The Company does not hold any such items.

The excess of assets (section D.1) over liabilities (section D.3) plus qualifying subordinated debt less any foreseeable distributions constitutes basic own funds:

Basic Own Funds	2019 £'000	2018 £'000
Solvency II valuation of assets	129,380	135,231
Solvency II valuation of liabilities	(80,260)	(82,648)
Excess of assets over liabilities	49,120	52,583
Subordinated debt	-	-
Foreseeable distributions	-	-
Basic Own Funds	49,120	52,583

Foreseeable distributions are future expense items such as dividends that have been approved for payment by the Board. The Company has no subordinated debt and no foreseeable distributions.

E.1 Own funds

Own funds - objectives, policies and processes

The board have adopted the Group capital management policy, which is covered below:

The overall responsibility for reviewing and approving the capital management policy lies with the Board. The responsibility for the Policy implementation resides with all Management and employees involved in managing capital and solvency across the Group.

The policy provides a robust framework for the management and control of capital that underpins business performance and supports the strategic development of the Company. The policy can be summarised as follows:

Regulatory and Legislative

 ensure current and future rules are monitored and understood, particularly regarding the definition of capital (quality and fungibility) and various capital requirements.

Definition and monitoring of Capital Available

• ensure capital is maintained at a sufficient quality in order to meet current and future capital requirements, in accordance with regulatory and rating agency restrictions.

- ensure the Company has a defined risk appetite regarding the quality and tiering of capital required to meet its own internal appetite for solvency.
- ensure there is sufficient capital held in order to satisfy local capital requirements, regulatory or otherwise.
- ensure that fungibility restrictions are carefully monitored and controlled to avoid having a detrimental impact on the Company's solvency position, regulatory or otherwise.
- ensure that the level of capital available is monitored on a regular basis in accordance with an agreed process.
- ensure there is regular monitoring and review of the quality, tiering and fungibility of capital, in order to assess whether the above targets are met on an ongoing basis.

Definition and monitoring of our Capital Requirements

- ensure all current and future capital requirements, regulatory or otherwise, are understood at all times
- ensure the Company has an agreed definition of an 'Economic Capital Requirement', reflecting its own view of risk.
- ensure the Company has an agreed risk appetite to ensure a satisfactory level of capital coverage on all relevant bases including a statement of coverage for its economic capital and regulatory capital.
- ensure the Company has at least enough capital to meet its regulatory requirements at all times.
- ensure all Company capital requirements covered by the risk appetite are calculated and the relevant solvency position reviewed on a regular basis in accordance with an agreed process.
- ensure that relevant stakeholders are informed of any changes to solvency positions in excess of agreed reporting levels.
- ensure that future capital requirements and projected solvency positions throughout the period of the business plan are assessed in the ORSA process.

Principles around the Distribution and Raising of Capital

- ensure there is a clearly defined process for assessing level of dividends and grants prior to any payment being made.
- ensure there is a clearly defined process for monitoring market conditions and future capital needs in order to assess the requirement and benefit of capital raising or redemptions.
- ensure the appropriateness for raising or redeeming capital is assessed against all other principles outlined in the Policy.

Principles around the Allocation and Use of Capital

ensure there is an agreed approach for allocating Economic Capital to different risks.

• ensure the Company has an agreed return on capital target which is aligned to the expectations of all

- ensure there is an agreed approach to setting and monitoring the return on capital of the Company.
- ensure that there is a clear process for determining when a strategic decision should take into account a capital perspective; this must cover all decisions that materially change the use of capital or solvency position.
- ensure that each such decision-making considers the impact on solvency, capital allocation, return on capital and any other principles included in the Policy.

Reporting

key stakeholders.

The Board will continue to monitor and maintain the integrity of the capital management policy, standards and guidance to ensure they reflect the culture of the business and the regulatory environment in which it operates.

Reports detailing performance against this policy or any business critical changes will be reviewed periodically, but at least annually, by the Group Finance and Investment Committee. Any breaches of policy are escalated immediately to management and reported to the Group Risk and Compliance functions.

Business planning, corporate planning and budgeting is undertaken on an annual basis, covering a three year planning horizon.

Movement in own funds compared to prior period

A copy of the quantitative reporting template 'S.23.01.01 – Own Funds' is included in appendix 6. The table below is a summary of own funds, by tier, with comparison to the prior year:

Analysis of Own Funds	Total	Tier	1	Tier 2	Tier 3
		Unrestricted	Restricted		
2019	£'000	£'000	£'000	£'000	£'000
Ordinary share capital	10,000	10,000	-	-	-
Reconciliation reserve	39,120	39,120	-	-	-
	49,120	49,120			
2018					
Ordinary share capital	10,000	10,000	-	-	-
Reconciliation reserve	42,583	42,583	-	-	-
	52,583	52,583	-		-
Movement in own funds					
Ordinary share capital	-	-	-	-	-
Reconciliation reserve	(3,463)	(3,463)	-	-	-
	(3,463)	(3,463)			

The ordinary share capital is called up, issued and fully paid, and is classified as unrestricted tier 1 capital as it meets the relevant requirements of Article 71 of the Delegated Act. The reconciliation reserve is primarily retained earnings from the financial statements adjusted for differences in valuation between the financial statements and SII, as covered in section D.

The table below summarises the key movements in the reconciliation reserve between the current and prior year:

Movement in reconciliation reserve	£'000
Prior year balance	42,583
IFRS Retained earnings for year	6,755
Ordinary dividend paid	(10,000)
Movement in SII valuation of technical provisions	(218)
Movement in SII valuation of other assets	-
Movement in SII valuation of other liabilities	-
Total movement for year	(3,463)
Current year balance	39,120

Eligible amount of own funds available to cover the Solvency Capital Requirement and Minimum Capital Requirement

All own funds are classified as unrestricted tier 1 capital and therefore wholly eligible to cover the SCR and MCR.

Comparison between solvency II own funds and equity reported in the financial statements

Reconciliation from IFRS net assets to Solvency II own funds	2019 £'000	2018 £'000
Equity as reported in IFRS Financial Statements	49,086	52,331
Revalue technical provisions	34	252
Solvency II Valuation of own funds	49,120	52,583

Technical provisions are valued on a SII basis as described in section D.2. Prepayments are removed from the SII valuation as they are deemed to have no measurable economic value.

Transitional arrangements

There are no own fund items that are subject to transitional arrangements.

Ancillary own funds

No ancillary own funds have been recognised.

Items deducted from own funds and restrictions affecting the availability and transferability of own funds

No items have been deducted from basic own funds, and there are no significant restrictions affecting the availability and transferability of own funds.

E.2 Solvency Capital Requirement [SCR] & Minimum Capital Requirement [MCR]

SCR and MCR

The SCR is the amount of capital that the Company is required to hold as required by the SII Directive. The Company uses the Standard Formula SCR calculation which is defined in the SII Delegated Act. This is formula based and consists of modules for each risk type, and adjustments for diversification and the loss absorbing capacity of deferred tax. A breakdown of the SCR elements applicable to the Company is given in the following section.

The MCR is the higher of the absolute floor (£3,187k) and the combined MCR.

The combined MCR is based on the linear MCR, subject to a cap (45% of the SCR) and floor (25% of the SCR). The Linear MCR is a simplistic calculation based on factors applied to net written premiums and net best estimate of TPs, analysed by class of business.

A copy of the quantitative reporting templates 'S.25.01 – Solvency Capital Requirement' and 'S.28.01 – Minimum Capital Requirement' are reproduced in appendices 7 and 8 respectively.

As at 31 December 2019 the SCR for the Company was £15,976k, and the MCR was £3,994k. Both amounts are still subject to supervisory assessment.

SCR by risk module and MCR

Movement in Capital Requirements	2019 £'000	2018 £'000	Change £'000
Market risk	15,177	15,214	(37)
Counterparty default risk	246	416	(170)
Life underwriting risk	2,977	2,724	253
Diversification	(2,150)	(2,121)	(29)
Basic Solvency Capital Requirement (BSCR)	16,250	16,233	17
Operational risk	345	357	(12)
Loss absorbing capacity of deferred tax	(619)	(711)	92
SCR	15,976	15,879	97
MCR	3,994	3,970	24

Changes to the SCR and MCR compared to the prior period

The table above summarises the movement in the SCR and MCR between the prior year and the current year.

The quantification of life underwriting risk has increased. The primary driver being the reduction of real interest rates over the period. This has increased the impact of reinvestment risk where policies stay in-force longer due to increased longevity of lives assured.

Counterparty default risk has decreased following a reduction in bank deposits, as surplus cash was reinvested in fixed rate debentures.

For both the current year and prior year, the linear MCR is below the MCR floor (25% of SCR) and so the value used is the MCR floor. Therefore the movement in MCR equals 25% of the movement in the SCR.

Use of simplified calculations and undertaking specific parameters

No simplifications or undertaking specific parameters have been used in calculating the standard formula SCR. As no capital add-on has been applied, and no undertaking specific parameters have been utilised, no illustration of their impact is necessary and use of the option provided for in the third subparagraph of Article 51(2) of Directive 2009/138/EC has not been made.

Inputs used in the calculation of the MCR

A copy of the quantitative reporting template 'S.28.01.01 - Minimum Capital Requirement' showing the inputs used for the calculation of the MCR is included in Appendix 8.

Use of the duration-based equity risk sub-module in the calculation of the SCR

The duration-based equity risk sub-module has not been used.

E.3 Differences between the standard formula and the internal model

An internal model has not been used to calculate the Company's SCR.

E.4 Non-compliance with the MCR and non-compliance with the SCR

MCR non-compliance

There has been no breach of the MCR during the reporting period.

SCR non-compliance	SCI	Rn	on-	cor	npl	ian	ce
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There has been no breach of the SCR during the reporting period.

E.5 Any other information

No further information regarding the capital management of the company is required.

Appendix 1 – QRT S.02.01.02 Balance Sheet

S.02.01.02

Balance sheet

	balance sneet	Calina and H
		Solvency II
	Assets	value C0010
DUU3U	Intangible assets	C0010
	Deferred tax assets	
	Pension benefit surplus	
R0060	•	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	126,725
R0080	Property (other than for own use)	400
R0090	Holdings in related undertakings, including participations	0
R0100		
R0110	Equities listed	4,349
	Equities - listed	4,170
R0120	Equities - unlisted	179
R0130	Bonds	100,190
R0140	Government Bonds	45,713
R0150	Corporate Bonds	54,124
R0160	Structured notes	0
R0170	Collateralised securities	352
R0180	Collective Investments Undertakings	21,786
R0190	Derivatives	
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
	Assets held for index-linked and unit-linked contracts	
	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	
	Reinsurance recoverables from:	0
R0280	Non-life and health similar to non-life	0
R0290	Non-life excluding health	
R0300	Health similar to non-life	
R0310	Life and health similar to life, excluding index-linked and unit-linked	0
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	0
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	60
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet	0
NOTOO	paid in	
R0410	Cash and cash equivalents	2,585
R0420	Any other assets, not elsewhere shown	10
R0500	Total assets	129,380

	Γ	Solvency II
		value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	Technical provisions - non-life (excluding health)	0
R0530	TP calculated as a whole	
R0540	Best Estimate	
R0550	Risk margin	
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	
R0580	Best Estimate	
R0590	Risk margin	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	78,927
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)	78,927
R0660	TP calculated as a whole	0
R0670	Best Estimate	76,580
R0680	Risk margin	2,346
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	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	1,275
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	
R0840	Payables (trade, not insurance)	58
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in BOF	
R0870	Subordinated liabilities in BOF	0
R0880	Any other liabilities, not elsewhere shown	
R0900	Total liabilities	80,260
D4000	Fire of another was linkilising	40,420
K1000	Excess of assets over liabilities	49,120

Appendix 2 – QRT S.05.01.02 Life premiums, claims and expenses by line of business

2500	R1900 Expenses incurred	R1800 Net	R1720 Reinsurers' share	R1710 Gross	Changes in other technical provisions	R1700 Net	R1620 Reinsurers' share	R1610 Gross	Claims incurred	R1600 Net	R1520 Reinsurers' share	R1510 Gross	Premiums earned	R1500 Net	R1420 Reinsurers' share	R1410 Gross	Premiums written		Life	Premiums, claims and expenses by line of business
																		C0210	Health	line of bus
																		C0220	Line Insurance with profit participation	iness
																		C0230	of Business for: Index-linked and unit- linked insurance	
	435	0				2,811		2,811		-13		-13		-13		-13		C0240	Line of Business for: life insurance obligations Annuiti Annuiti Stemming non-lit linked insurance contracts ation insurance insurance relating health insurables obligations	
																		C0250	obligations Annuities stemming from non-life insurance contracts and relating to health insurance obligations	
																		C0260	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than	
																		C0270	Life He reins	
					-													C0280	reinsurance obligations alth Life urance reinsurance	
	435	0	0	0	-	2,811	0	2,811		-13	0	-13		-13	0	-13		C0300	Total	

Appendix 3 – QRT S.05.02.01 Life premiums, claims and expenses by country

Lite	C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Top 5 countries (t	Top 5 countries (by amount of gross premiums written) $\frac{1}{2}$ Top 5 countries (by amount of gross	oremiums written)	- Top 5 countries (t	y amount of gross	
	Home Country		life obligations		premiums writter	written) - life obligations	Total Top 5 and
R1400							home country
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
R1410 Gross	-13						
R1420 Reinsurers' share							
R1500 Net	-13						
Premiums earned							
R1510 Gross	-13						
R1520 Reinsurers' share							
R1600 Net	-13						
Claims incurred							
R1610 Gross	2,811						2,811
R1620 Reinsurers' share							
R1700 Net	2,811						2,811
Changes in other technical provisions							
R1710 Gross							
R1720 Reinsurers' share							
R1800 Net	0						
R1900 Expenses incurred	435						
R2500 Other expenses							
R2600 Total expenses							

Appendix 4 – QRT S.12.01.02 Life technical provisions

Amount of the transitional on Technical Provisions R0110 Technical Provisions calculated as a whole R0120 Best estimate R0130 Risk margin R0200 Technical provisions - total	Total Recoverables from reinsurance/SPV and Finite Re after R0080 the adjustment for expected losses due to counterparty default. R0090 Best estimate minus recoverables from reinsurance/SPV R0090 Risk margin	Technical provisions calculated as a sum of BE and RM Best estimate R0030 Gross Best Estimate	R0010 Technical provisions calculated as a whole Total Recoverables from reinsurance/SPV and Finite Re after R0020 the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	
			00020	Insurance with profit participation
			000	Index⊣inke
			C0040	Index-linked and unit-linked insurance Contracts Contracts Without with option Options and Or guarantees guarantees guarantees
			0050	ed insurance Contracts with options or guarantees
78,927	2,346		C0060	
	0		C0070	Contracts Without w options and guarantees g
	76,580	76,580	COURO	
			0090	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health
			C0100	5 <u>g</u>
0 0 0 78,927	76,580 2,346	76,580	0 0) m 0 H 0
			0160	Health insura
			C0170	es red
			C0180	
			C0190	Annuities stemming from non-life insurance contracts and relating to health insurance obligations
			0200	Health reinsurance (reinsurance accepted)
			CO210	Total (Health similar to life insurance)

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Appendix 5 - QRT S.22.01.21 Impact of long term guarantees measures and transitionals

R0010

R0020

R0050 Technical provisions

Solvency Capital Requirement

Minimum Capital Requirement Eligible own funds to meet Minimum Capital Requirement

Eligible own funds to meet Solvency Capital Requirement

Amount with measures and transitionals Guarantee Long Term 49,120 15,976 49,120 78,927 49,120 transitional on provisions technical Impact of C0030 0 0 0 transitional on interest rate Impact of C0050 00000 adjustment set to zero volatility Impact of C0070 -1,219 61 -1,219 -1,219 15 set to zero adjustment matching Impact of C0090

00000

Impact of long term guarantees measures and transitionals

Appendix 6 - QRT 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 Own Funds Total unrestricted Tier 1

S.23.01.01

RO770 Expected profits included in future premiums (EPIFP) - Life business RO780 Expected profits included in future premiums (EPIFP) - Non- life business RO790 Total Expected profits included in future premiums (EPIFP) R0290 Total basic own funds after deductions R0230 Deductions for participations in financial and credit institutions R0500 Total available own funds to meet the SCR R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC 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 Ratio of Eligible own funds to SCR Ratio of Eligible own funds to MCR Total available own funds to meet the MCR Total eligible own funds to meet the SCR Total eligible own funds to meet the MCR Other basic own fund items Foreseeable dividends, distributions and charges Own shares (held directly and indirectly) Excess of assets over liabilities A legally binding commitment to subscribe and pay for subordinated liabilities on demand Other own fund items approved by the supervisory authority as basic own funds not specified above Ordinary share capital (gross of own shares) Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds Available and eligible own funds Total ancillary own funds Other ancillary own funds Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC Unpaid and uncalled preference shares callable on demand Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings Unpaid and uncalled ordinary share capital callable on demand An amount equal to the value of net deferred tax assets Subordinated liabilities Share premium account related to preference shares Preference shares Surplus funds Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings Share premium account related to ordinary share capital Reconcilliation reserve Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC Ancillary own funds C0060 307.46% 1229.82% 49,120 15,976 49,120 49,120 49,120 49,120 49,120 49,120 10,000 restricted Tier 1 Tier 2 Tier 3

R0020 R0030 R0040 R0050 R0060

Appendix 7 – QRT S.25.01.21 Solvency Capital Requirement

R0400 R0410 R0420 R0430

R0440

R0130 R0140 R0150 R0160 R0200 R0210 R0220

s.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency	- -	Cimalification
	capital requirement	S	SIIIPIIIICALIOIIS
	C0110	C0090	C0120
Market risk	15,177		
Counterparty default risk	246		
Life underwriting risk	2,977		
Health underwriting risk	0		
Non-life underwriting risk	0		
Diversification	-2,150		
1			
Intangible asset risk	0		
Basic Solvency Capital Requirement	16,251		
Calculation of Solvency Canital Requirement	C0100		
Operational risk	345		
Loss-absorbing capacity of technical provisions	0		
Loss-absorbing capacity of deferred taxes	-620		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
Solvency Capital Requirement excluding capital add-on	15,976		
Capital add-ons already set	0		
Solvency capital requirement	15,976		
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	0		
Total amount of Notional Solvency Capital Requirements for remaining part	0		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
Diversification effects due to RFF nSCR aggregation for article 304	0		

Appendix 8 – QRT S.28.01.01 Minimum Capital Requirement

5.28.01.01

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	0		
			Net (of reinsurance/SPV) best	Net (of reinsurance)
			estimate and TP	written premiums in
			calculated as a whole	the last 12 months
			C0020	C0030
R0020	Medical expense insurance and proportional reinsurance			
R0030	Income protection insurance and proportional reinsurance			
R0040	Workers' compensation insurance and proportional reinsurance			
R0050	Motor vehicle liability insurance and proportional reinsurance			
R0060	Other motor insurance and proportional reinsurance			
R0070 R0080	Marine, aviation and transport insurance and proportional reinsurance			
R0090	Fire and other damage to property insurance and proportional reinsurance General liability insurance and proportional reinsurance			
R0100	Credit and suretyship insurance and proportional reinsurance			
R0110	Legal expenses insurance and proportional reinsurance			
R0120	Assistance and proportional reinsurance			
R0130	Miscellaneous financial loss insurance and proportional reinsurance			
R0140	Non-proportional health reinsurance			
R0150	Non-proportional casualty reinsurance			
R0160	Non-proportional marine, aviation and transport reinsurance			
R0170	Non-proportional property reinsurance			
	Linear formula component for life insurance and reinsurance obligations	C0040		
R0200	MCR _L Result	1,608		
		,,,,,		
			Net (of	
			reinsurance/SPV) best	Net (of
			estimate and TP	reinsurance/SPV)
			calculated as a whole	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		76,580	
R0250	Total capital at risk for all life (re)insurance obligations			
	Overall MCR calculation	C0070		
R0300	Linear MCR	1,608		
R0310	SCR	15,976		
	MCR cap	7,189		
	MCR floor	3,994		
	Combined MCR	3,994		
R0350	Absolute floor of the MCR	3,187		
R0400	Minimum Capital Requirement	3,994		

Appendix 9 – Glossary of abbreviations

The Company Ecclesiastical Life Limited

The Board of Directors of the Company

The Group The EIG Group

The Directive Solvency II Directive 2009/138/EC

The Delegated act Solvency II Delegated Regulation (EU) 2015/35

ATL Allchurches Trust Limited

CF Control Function

CRO EIG Group Chief Risk Officer

CRSA Control Risk and Self-Assessment process
EdenTree EdenTree Investment Management Limited

EIG Ecclesiastical Insurance Group plc
EIO Ecclesiastical Insurance Office plc

EIOPA European Insurance and Occupational Pensions Authority

ELL Ecclesiastical Life Limited

EU European Union

FCA Financial Conduct Authority
GAC EIG Group Audit Committee
GIA EIG Group Internal Audit
GRC EIG Group Risk Committee

IAS International Accounting Standard

IFRIC International Financial Reporting Interpretations Committee

IFRS international financial reporting standards

KFH Key Function Holder

MCR Minimum capital requirement

NED Non-executive Director

OEIC Open Ended Investment Company
ORSA Own Risk and Solvency Assessment

PIE Public Interest Entity

PRA Prudential Regulatory Authority
QRT Quantitative reporting template

RPI Retail Prices Index

SII Solvency II

SCR Solvency capital requirement

SFCR Solvency and Financial Condition Report SIMR Senior Insurance Managers Regime
