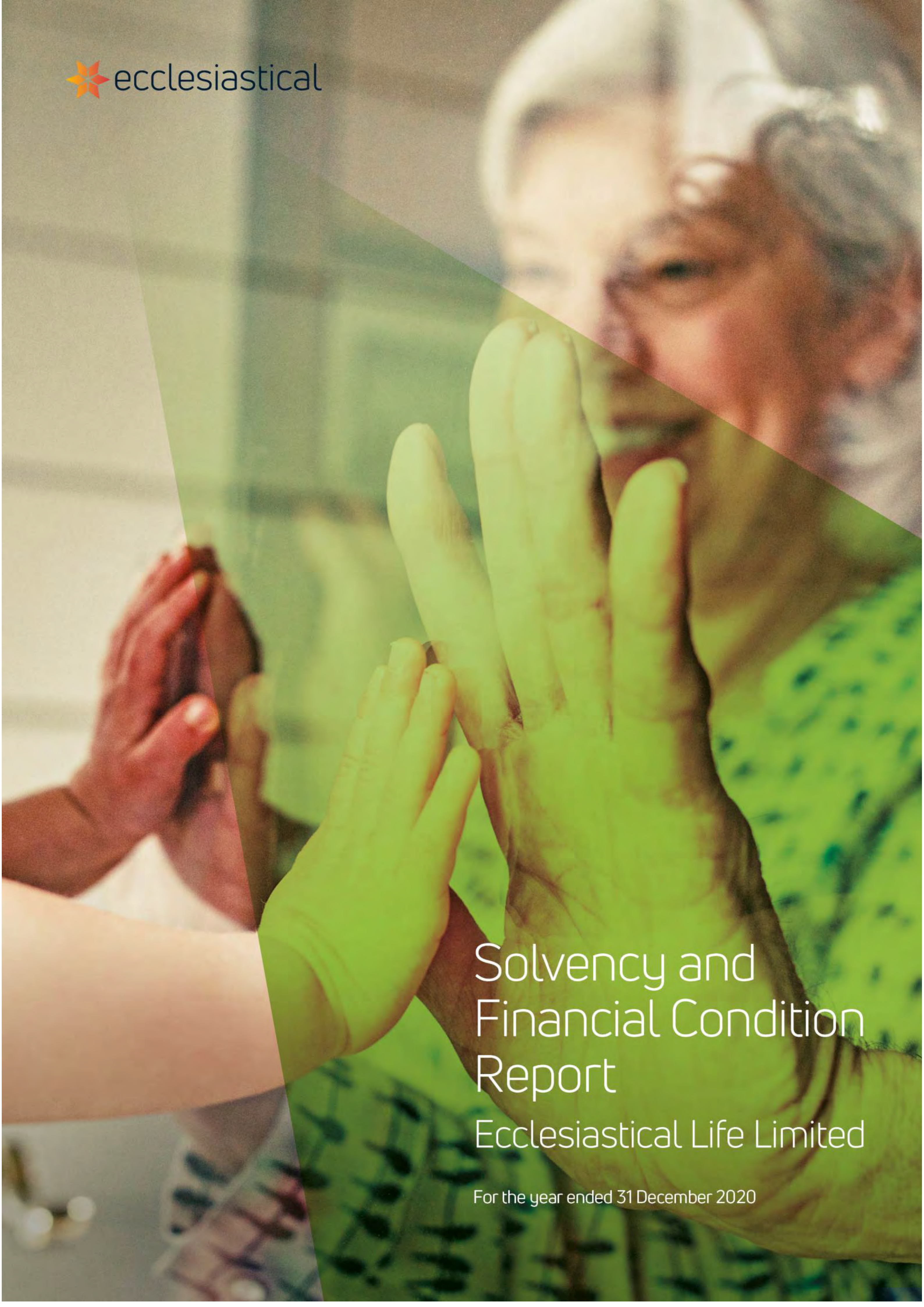

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Solvency and Financial Condition Report

Ecclesiastical Life Limited

For the year ended 31 December 2020

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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), which in turn is a wholly owned subsidiary of Ecclesiastical Insurance Group plc (EIG, the Group). An SFCR is also 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 although it is exploring options that may see it re-open to new business in 2021.

Whilst 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 profit of £0.5m for the year (2019: £6.8m). The portfolio of funeral policies has continued to run off as expected as claims have been paid.

The main driver of the operating profit in the current year has been the release of prudence margins in the valuation basis of the technical reserves as the business matures.

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 2020 and the change over the year is shown below:

Summary Solvency position	2020 £'000	2019 £'000	Change £'000
Own Funds	**49,259**	**49,120**	**139**
Standard Formula SCR			
Market risk	14,495	15,177	(682)
Counterparty default risk	395	246	149
Life underwriting risk	3,541	2,978	563
Diversification	(2,556)	(2,150)	(406)
Operational risk	333	345	(12)
Loss absorbing capacity of deferred tax	(814)	(620)	(194)
	15,394	**15,976**	**(582)**
Coverage ratio	**320%**	**307%**	**13%**

The Company's regulatory solvency position has increased during the year. Own funds increased by £0.1m following the positive operating performance achieved within the year.

The Company's SCR decreased by £0.6m. This is driven by a decrease in market risk as bond and equity values fell in the year, partially offset by an increase in life underwriting risk following the reduction of real interest rates over the period.

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

Outlook for 2021

The uncertainty created by the ongoing global pandemic has had a significant impact on economic conditions, with consequent impact on risk related to the company's investments. With the United Kingdom leaving the European Union (EU) at the end of 2020, this also has potential for economic uncertainty. Management continue to monitor and manage both risks closely.

The Company had adapted well to the impact of COVID and remote working practices associated with this. 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.

The Company and the wider group is regularly monitoring solvency levels and no instances of a breach of its Minimum Capital Requirement (MCR), SCR or the Board's risk appetite have occurred up to the date of this report being published.

The Company's capital position remains strong on the regulatory (Solvency II) basis, with a solvency coverage ratio in excess of 300%. Focus is on managing the closed book of business to deliver modest profits. The Company is currently investigating options to re-open to new business.

Statement of Directors' Responsibilities

Ecclesiastical Life Limited

Financial year ended 31 December 2020

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

Steve O'Dwyer
Director
Date: 6 April 2021

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:

Benefact House
2000 Pioneer Avenue
Gloucester Business Park
Gloucester
GL3 4AW

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:

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0FR

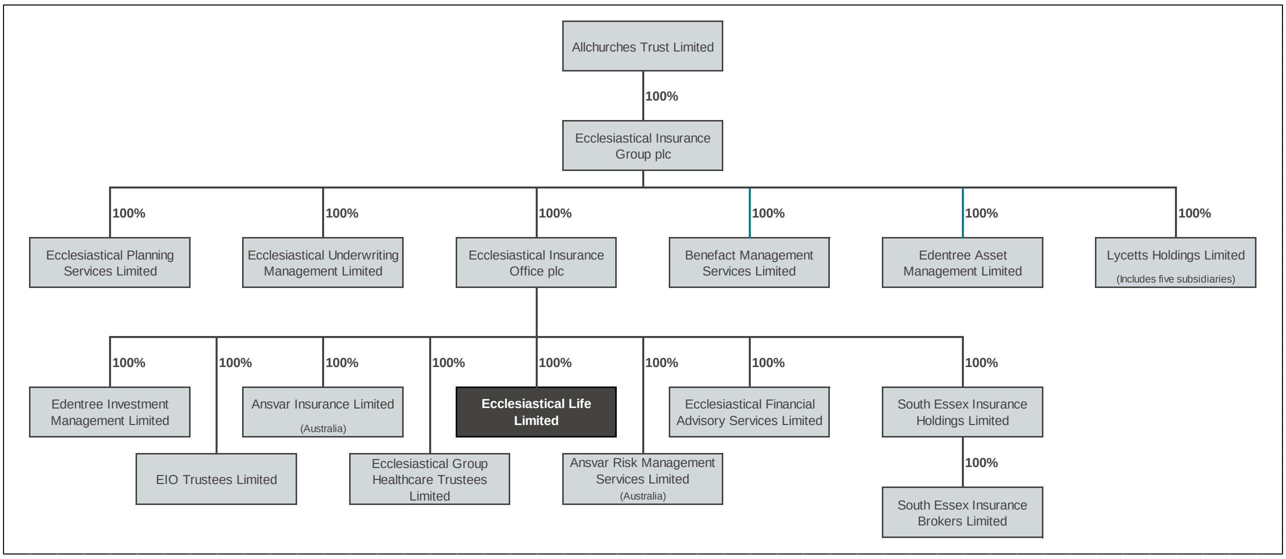
Qualifying holdings

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.

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 mature risk which particularly impacts market risk and operational risk. These risks are being continually monitored and managed under well-established business continuity plans.

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 MCR, 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. Insurance risk has also been impacted as there have been excess deaths over the year that are likely due to Covid-19.

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.

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 continues to evolve, and will take appropriate actions if required.

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	2020 Actual £'000	2019 Actual £'000
Written & earned premium	12	(13)
Claims paid	(6,008)	(5,562)
Movement in long term business provision	2,355	2,752
Net expenses and commission	(351)	(270)
Underwriting result	(3,992)	(3,093)
Net investment return of assets backing liabilities	4,456	3,424
Net Underwriting result	464	331

The Company has one material line of business and operates solely in the UK. The in-force portfolio of policies consists entirely 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.

The net result, when movements in assets backing policy liabilities are taken into account, was a profit of £0.5m.

A.3 Performance from investment activities

	Investment income		Fair value gains/(losses)		Total return	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt	2,066	2,134	3,134	2,391	5,200	4,525
Equities	489	892	(1,089)	4,607	(600)	5,499
Property	48	48	-	-	48	48
Cash	2	8	-	-	2	8
Total investments	2,605	3,082	2,045	6,998	4,650	10,080
Less: Recognised within underwriting					(4,456)	(3,424)
Return of surplus investments					194	6,656

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 2020 as yields fell again, similar to 2019. 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 losses were experienced in the equity portfolio reflecting market reaction to the Covid-19 pandemic.

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 ELL is the Board of Directors. 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 Company 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, remuneration, delegation of authority, corporate governance and policies.

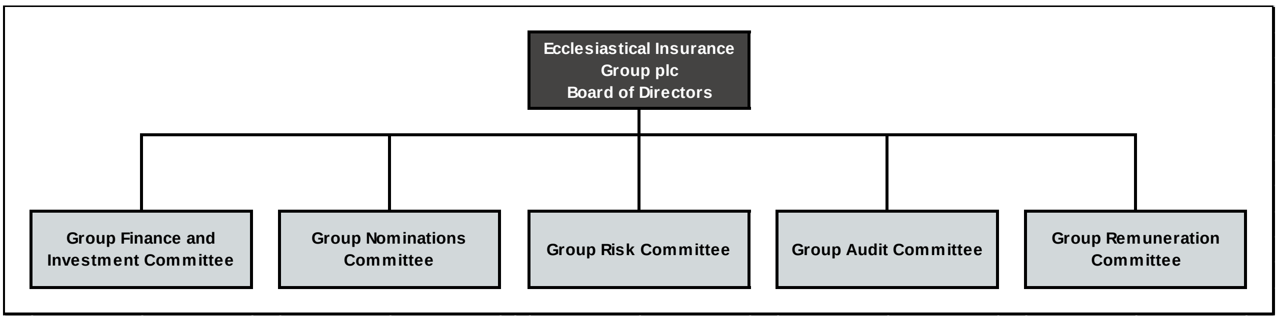
Governing body – Segregation of responsibilities

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 (GAC)

Comprising four 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 (GRC)

Comprising five 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 (CFO).

Chief Actuary

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

Group Internal Audit (GIA)

The Group Chief Internal Auditor is accountable to the Chairman of the GAC.

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.

Group Risk and Compliance

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 CFO who is accountable to the Group CEO.

Regulatory Risk (formerly 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.

Material changes in the system of governance

There were no material changes to the system of governance of the Company during the year. At a Group level the Risk and Compliance functions were merged under the leadership of the Chief Risk and Compliance Officer (a newly created role).

Assessment of the adequacy of the system of governance

The Group Governance Framework was formally reviewed by the EIG Board in November 2020 and the Board is scheduled to implement required changes in 2021. 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;
- attestations from business units that they are materially compliant with the governance framework;
- reports from management; 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

There were no material transactions for the reporting period ended 31 December 2020.

B.2 Fit and proper requirements

The company is committed to ensuring that all fit and proper regulatory requirements are met for its senior leaders within the Senior Managers and Certification Regime (SM&CR).

The PRA and FCA consider that the most important factors in assessing an individual's fitness and propriety are:

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

In order to initially determine fitness and propriety all prospective senior role holders take part in a multi-stage interview process, supported by psychometric testing, involving relevant stakeholders. The candidates' knowledge, experience and qualifications in such areas as market knowledge, business strategy, financial analysis, working within regulated frameworks and governance/ risk management are fully explored. Due diligence is fulfilled through pre-employment checks and referencing that are carried out upon an offer being accepted.

Ongoing adherence to these standards is assessed through performance review cycles and is subject to further confirmation through an annual fit and proper process, carried out for all individuals caught within the SM&CR, covering:

- competence and performance in carrying out the documented responsibilities of the role;
- Continual professional development (CPD) and training to maintain knowledge and skills;
- completion of regular mandatory company training;
- disclosure and barring criminal records and credit checks; and
- self-assessment against fitness and proprietary questions.

Where the company becomes aware of concerns regarding the fitness and propriety of a person in a relevant role it will investigate and take appropriate action without delay in line with the Fitness and Propriety policy. The regulator will be notified of any action where necessary.

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 facilitation of the implementation and oversight delegated to the Group Risk function, led by the 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 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 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)* led by the CRO, is responsible for assisting the Board in formulation of risk appetite, establishment of minimum standards, developing appropriate reporting and providing oversight and challenge of risk profiles and risk management activities; and
- *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 each relevant company in the Group, including the Company at an individual 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 Boards in November 2020 and December 2020 respectively.

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 (GMB) 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 and business processes are designed and implemented to ensure that business objectives are achieved and that 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 ensures 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

The Group Regulatory Risk function oversees relevant compliance activity for the Company. The function sits within the firm's 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 Group Regulatory Risk function applies the principles and requirements of the Group Compliance Charter. This sets out the roles and responsibilities of the Group Regulatory Risk function and those policies where it has delegated responsibilities.

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

B.5 Internal audit function

Implementation of the internal audit function

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. Any blurring of the roles of the three lines of defence should be exceptional and any such blurring must be 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 CFO 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 GAC 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 performing actuarial calculation 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 Solvency II. 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 risk exposures. In particular, the actuarial function assesses the asset and liability matching position of the Company and recommends 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, with a comprehensive investment management agreement in place. EdenTree outsource trustee services and custodian and dealing services. The Company's technical provision calculations are outsourced to an external consultant, OAC actuarial.

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	2020 £'000	2019 £'000
Longevity risk	3,268	2,730
Life expense risk	772	689
Diversification	(499)	(441)
	3,541	**2,978**

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	2020 £'000	2019 £'000
Interest rate risk	2,315	2,324
Spread risk	7,657	8,116
Equity risk	7,017	7,332
Property risk	100	100
Market concentration risk	1,235	1,174
Currency risk	1,311	1,252
Market Diversification	(5,140)	(5,121)
	14,495	**15,177**

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 are from investments in the shareholders' fund are:

- equity risk, with the majority of this fund (£24.2m) 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; and
- interest rate risk – the fund has £15.2m invested in fixed-interest stocks, including investment through OEICs, 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 remained stable over the year

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 are 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 and overseen by the Board.

Market Risk concentration

The majority of market risk exposure is located in the UK. The largest exposure is to the UK government, with 30% 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 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 2020 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 2020 was from deposits held with the Bank of New York of £4.5m.

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 which, by market value at 31 December 2020, 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 £946.

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. However, the Company is currently investigating options to re-open to new business this year, and if that were to occur, strategic risk may become more 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

Following the UK's exit from the EU, the PRA rulebook continues to refer to the EU SII articles in force at 31 December 2020. Reference to EU directives therefore remain valid.

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 £495k (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-20 As reported IFRS Basis	Reclassify to aid comparison	31-Dec-20 Reclassified IFRS	Net valuation movement	31-Dec-20 Solvency II Valuation
	£'000	£'000	£'000	£'000	£'000
Total assets	**127,827**	(296)	**127,531**	-	**127,531**
Total liabilities	**78,315**	(296)	**78,019**	253	**78,272**
Net assets	**49,512**	**-**	**49,512**	**(253)**	**49,259**
Analysis of Assets					
Investments	122,353	482	122,835	-	122,835
Receivables (trade, not insurance)	486	(482)	4	-	4
Insurance & intermediaries receivables	304	(304)	-	-	-
Any other assets	(8)	8	-	-	-
Cash and cash equivalents	4,692	-	4,692	-	4,692
Total assets	**127,827**	**(296)**	**127,531**	**-**	**127,531**

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 £482k included within 'receivables (trade, not insurance)' in the financial statements have been moved to investments as investment valuations are 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 2020 was:

Technical provisions	2020 £'000	2019 £'000
Best estimate liabilities	74,359	76,833
Premium debtors	(304)	(252)
Risk margin	2,751	2,346
	76,806	**78,927**

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 – 95% of population mortality tables, ELT16M (males) and ELT16F (females) in 2021 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 2020); and
- future renewal expenses - £15.80 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, 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 long-term level of mortality in 2021 will not deviate materially from the base level assumption, though the impact of the Covid-19 pandemic introduces additional uncertainty to this 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 (11 basis points at 31 December 2020), 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 cash-flows 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	2020 £'000	2019 £'000
IFRS reserves	**76,857**	**79,213**
Expenses assumed	(2,982)	(3,409)
Real interest rate	2,199	2,279
Investment expenses	(185)	(57)
Mortality	(1,530)	(1,193)
Premium debtors	(304)	(252)
Explicit Risk Margin	2,751	2,346
SII technical provisions	**76,806**	**78,927**

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 £890k, an increase in the SCR of £51k, an increase in the MCR of £13k, and a decrease of £890k in both basic own funds and amount of own funds eligible to cover the SCR and the MCR.

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 during 2020 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

Solvency II valuation of other liabilities

A copy of the QRT '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-20 As reported IFRS Basis	Reclassify to aid comparison	31-Dec-20 Reclassified IFRS	Net valuation movement	31-Dec-20 Solvency II Valuation
	£'000	£'000	£'000	£'000	£'000
Total assets	**127,827**	(296)	**127,531**	-	**127,531**
Total liabilities	**78,315**	(296)	**78,019**	253	**78,272**
Net assets	**49,512**	-	**49,512**	**(253)**	**49,259**
Analysis of Liabilities					
Technical provisions - life	76,857	(304)	76,553	253	76,806
Payables (trade, not insurance)	112	-	112	-	112
Deferred tax liabilities	1,346	-	1,346	-	1,346
Other Liabilities	-	8	8	-	8
Total liabilities	**78,315**	**(296)**	**78,019**	**253**	**78,272**

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. The tax rate used is 19% . 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	2020 £'000	2019 £'000
Solvency II valuation of assets	127,531	129,380
Solvency II valuation of liabilities	(78,272)	(80,260)
Excess of assets over liabilities	49,259	49,120
Subordinated debt	-	-
Foreseeable distributions	-	-
Basic Own Funds	**49,259**	**49,120**

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 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; and
- 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; and
- 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; and
- 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 key stakeholders;
- 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; and
- 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

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 QRT '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		
2020	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Ordinary share capital	10,000	10,000	-	-	-
Reconciliation reserve	39,259	39,259	-	-	-
	49,259	49,259	-	-	-
2019					
Ordinary share capital	10,000	10,000	-	-	-
Reconciliation reserve	39,120	39,120	-	-	-
	49,120	49,120	-	-	-
Movement in own funds					
Ordinary share capital	-	-	-	-	-
Reconciliation reserve	139	139	-	-	-
	139	139	-	-	-

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	**39,120**
IFRS Retained earnings for year	426
Movement in revaluation of SII technical provisions from IFRS reserves	(287)
Total movement for year	139
Current year balance	**39,259**

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	2020 £'000	2019 £'000
Equity as reported in IFRS Financial Statements	**49,512**	**49,086**
Revalue technical provisions	(253)	34
Solvency II Valuation of own funds	**49,259**	**49,120**

Technical provisions are valued on a SII basis as described in section D.2.

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 (£3,338k) 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 technical provisions, analysed by class of business.

A copy of the QRT '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 2020 the SCR for the Company was £15,394k, and the MCR was £3,848k. Both amounts are still subject to supervisory assessment.

SCR by risk module and MCR

Movement in Capital Requirements	2020 £'000	2019 £'000	Change £'000
Market risk	14,495	15,177	(682)
Counterparty default risk	395	246	149
Life underwriting risk	3,541	2,978	563
Diversification	(2,556)	(2,150)	(406)
Basic Solvency Capital Requirement (BSCR)	15,875	16,251	(376)
Operational risk	333	345	(12)
Loss absorbing capacity of deferred tax	(814)	(620)	(194)
SCR	**15,394**	**15,976**	**(582)**
MCR	**3,848**	**3,994**	**(146)**

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 fall in market risk is driven by a reduction in corporate bond and equity exposure across the year. The Company has utilised the transitional calculation for equity risk in the calculation of the SCR. This tapers the capital charge that is applied to equities over seven years when using the standard formula, but only for assets held prior to January 2016. The fall in market risk within the year has been partially offset by the transitional benefit unwinding. The reduction in corporate bond exposure has led to a reduction in spread risk.

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.

The movement in market risk and life underwriting risk also generates a higher diversification between risk modules.

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 Artide 51(2) of Directive 2009/138/EC has not been made.

Inputs used in the calculation of the MCR

A copy of the QRT '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

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

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	122,835
R0080	*Property (other than for own use)*	400
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	2,688
R0110	*Equities - listed*	2,509
R0120	*Equities - unlisted*	179
R0130	*Bonds*	98,239
R0140	*Government Bonds*	46,208
R0150	*Corporate Bonds*	51,694
R0160	*Structured notes*	0
R0170	*Collateralised securities*	338
R0180	*Collective Investments Undertakings*	21,507
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	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)	4
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,692
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	127,530

		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)	76,807
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)*	76,807
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	74,055
R0680	*Risk margin*	2,751
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	1,346
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)	112
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	7
R0900	Total liabilities	78,272
R1000	Excess of assets over liabilities	49,259

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

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross				12					12
R1420	Reinsurers' share									0
R1500	Net				12					12
	Premiums earned									
R1510	Gross				12					12
R1520	Reinsurers' share									0
R1600	Net				12					12
	Claims incurred									
R1610	Gross				3,653					3,653
R1620	Reinsurers' share									0
R1700	Net				3,653					3,653
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net				0					0
R1900	Expenses incurred				513					513
R2500	Other expenses									
R2600	Total expenses									513

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

S.05.02.01

Premiums, claims and expenses by country

Life

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	12						12
R1420	Reinsurers' share							0
R1500	Net	12						12
	Premiums earned							
R1510	Gross	12						12
R1520	Reinsurers' share							0
R1600	Net	12						12
	Claims incurred							
R1610	Gross	3,653						3,653
R1620	Reinsurers' share							0
R1700	Net	3,653						3,653
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0						0
R1900	Expenses incurred	513						513
R2500	Other expenses							
R2600	Total expenses							513

Appendix 4 – QRT S.12.01.02 Life technical provisions

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**							74,055			74,055						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						0	74,055			74,055						
R0100	**Risk margin**					2,751					2,751						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**					76,807					76,807						

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

S.22.01.21

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	76,807	0	0	890	0
R0020	Basic own funds	49,259	0	0	-890	0
R0050	Eligible own funds to meet Solvency Capital Requirement	49,259	0	0	-890	0
R0090	Solvency Capital Requirement	15,394	0	0	52	0
R0100	Eligible own funds to meet Minimum Capital Requirement	49,259	0	0	-890	0
R0110	Minimum Capital Requirement	3,848	0	0	13	0

Appendix 6 – QRT S.23.01.01 Own Funds

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	10,000	10,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	39,259	39,259			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	
R0290	Total basic own funds after deductions	49,259	49,259	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	Total ancillary own funds	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	49,259	49,259	0	0	0
R0510	Total available own funds to meet the MCR	49,259	49,259	0	0	
R0540	Total eligible own funds to meet the SCR	49,259	49,259	0	0	0
R0550	Total eligible own funds to meet the MCR	49,259	49,259	0	0	
R0580	SCR	15,394				
R0600	MCR	3,848				
R0620	Ratio of Eligible own funds to SCR	319.99%				
R0640	Ratio of Eligible own funds to MCR	1279.95%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	49,259
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	10,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	Reconciliation reserve	39,259
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	1
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	Total Expected profits included in future premiums (EPIFP)	1

Appendix 7 – QRT S.25.01.21 Solvency Capital Requirement

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	14,495		
R0020	Counterparty default risk	395		
R0030	Life underwriting risk	3,541		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-2,556		
R0070	Intangible asset risk	0		
R0100	Basic Solvency Capital Requirement	15,875		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	333
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-814
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	Solvency Capital Requirement excluding capital add-on	15,394
R0210	Capital add-ons already set	0
R0220	Solvency capital requirement	15,394
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	-814
R0650	LAC DT justified by reversion of deferred tax liabilities	-814
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

Appendix 8 – QRT S.28.01.01 Minimum Capital Requirement

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
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	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	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	1,555

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	74,055	
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	1,555
R0310	SCR	15,394
R0320	MCR cap	6,927
R0330	MCR floor	3,848
R0340	Combined MCR	3,848
R0350	Absolute floor of the MCR	3,338
R0400	Minimum Capital Requirement	3,848

Appendix 9 – Glossary of abbreviations

The Company	Ecclesiastical Life Limited
The Board	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
MCR	Minimum capital requirement
NED	Non-executive Director
OEIC	Open Ended Investment Company
ORSA	Own Risk and Solvency Assessment
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