

Solvency and Financial Condition Report 2024
Fairmead Insurance Limited

Summary

This is the Solvency and Financial Condition Report (“SFCR”) for Fairmead Insurance Limited (“FIL”, “the Company”). Publication of an SFCR is a mandatory requirement of the Solvency II (“SII”) Directive for all insurance companies domiciled in the EU. Although the UK has left the EU, the Prudential Regulatory Authority (“PRA”) has adopted an equivalent approach.

The ultimate parent undertaking is Allianz Societas Europaea (“Allianz SE”). Globally, the Allianz SE group is a financial services provider with circa 125 million retail and corporate customers in nearly 70 countries. More information about Allianz SE and its operations around the world can be found on the Allianz SE website.

The SFCR is made up of five key sections that together give a comprehensive view of the Company’s business strategy and performance, its system of governance for the sound and prudent management of the business (“System of Governance”), its risk profile, its current valuation for SII purposes, and its capital management approach and current capital position.

Section A looks at the business and performance of FIL during the year to 30 September 2024. It starts with a section describing the legal structure of the Company and its place in the Allianz Holdings plc (“AzH”) group of companies (“the Group”) before covering the two main sources of the Company’s result – the underwriting of insurance and return on the investment portfolio. FIL reported a loss before tax for the year of £9,475k (2023: profit of £1,285k). The Company had a quota share (“QS”) reinsurance arrangement of 50% impacting the net results. The Company also has a 100% quota share arrangement transferring all economic risk in respect of the Household business underwritten via a managing general agent (“MGA”). The treaty was effective from 31 December 2019 and acts before the joint catastrophe treaty detailed below.

Section B looks at the System of Governance. This section describes the ways in which the Company ensures that its business runs effectively and in compliance with the requirements of SII.

The Company’s Board has overall oversight of the business, while day to day running is conducted by management. The actions of management take place within the confines of the System of Governance. Further details regarding the Board and its committees are provided in section B.1.

The Company applies a “three lines of defence” model to risk management, see section B.3 for further details. The Enterprise Risk Management Framework (“ERM”) is embedded in the operations of the Company and is managed by the Chief Risk Officer (“CRO”).

The Own Risk and Solvency Assessment (“ORSA”) process forms a substantial part of the Company’s ERM. Produced at least annually, the ORSA report is provided to the Board to inform it of all risks facing the Company and outlines how these are assessed and managed. The ORSA process is overseen by the AzH Board Risk committee.

Finally, the section reviews how the Company relies on other companies to undertake some activities on its behalf. In Section B.7, the Company has outlined the most material outsourced activities.

Section C reviews the risks which the Company faces. These include:

- Underwriting Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk

Each type of risk is covered in turn. The risk itself and the methods for understanding, managing and mitigating that risk are described, and any major concentration of that risk type is identified.

This section confirms that each risk type to which the Company is exposed to is appropriately understood, managed and mitigated.

Section D reviews the balance sheet of the Company. The balance sheet is the main mechanism by which the solvency of the Company, the amount of capital it has available to protect it and its policyholders against a shock, is assessed. This section describes the methods used to value the items on that balance sheet in accordance with SII Regulations and explains any significant valuation differences to those applied in the Annual Report and Financial Statements.

Summary

In section D.2 Technical Provisions are considered. Technical Provisions represent the current amount required to transfer insurance obligations immediately to another insurance entity. They include the funds the Company has put aside specifically to pay future claims. Section D.2 examines in detail the separate elements that make up the technical provisions and explains the actuarial methods and assumptions used.

Section E refers to the capital available within the Company for the purpose of absorbing shocks. The amount of Own Funds required by SII is defined by the Minimum Capital Requirement ("MCR") and the Solvency Capital Requirement ("SCR"). The MCR is the level of Own Funds below which the Company may no longer legally continue to trade, while the SCR is the minimum level treated as acceptable in normal circumstances by the SII regime.

The Company uses the default standard formula approach as prescribed by SII to determine its capital requirements.

As at 30 September 2024, the MCR was £3,495k and is covered by £33,828k of eligible Own Funds (tier 1 only). As at 30 September 2024, the SCR was £4,696k and is covered by £34,532k of eligible Own Funds (£33,828k tier 1 and £704k tier 3). The Solvency ratio (that is, the percentage coverage of the SCR by Own Funds) is 735%. The Company has fully complied with the SCR throughout the period.

Further information about the quality of the Own Funds and the makeup of the SCR is provided in sections E.1 and E.2.

The SFCR contains a Statement of Directors' Responsibilities.

Finally, the following Quantitative Reporting Templates ("QRTs") have been disclosed as an appendix to the SFCR:

- S.02.01 Balance Sheet
- S.05.01 Premiums, claims and expenses by line of business
- S.17.01 Non-life Technical Provisions
- S.19.01 Non-life Insurance Claims Information
- S.23.01 Own Funds
- S.25.01.21 Solvency Capital Requirement (for undertakings on Standard Formula)
- S.28.01 Minimum Capital Requirement (Only life or non-life insurance or reinsurance activity)

A. Business and Performance

A.1 Business

Name and legal form of undertaking

The Company is a UK incorporated and domiciled company limited by shares, under company number 00423930.

Registered office: 57 Ladymead, Guildford, Surrey, England, GU1 1DB

Name and contact details of the supervisory authority responsible for financial supervision.

The PRA and Financial Conduct Authority ("FCA") are responsible for the financial supervision of the Company.

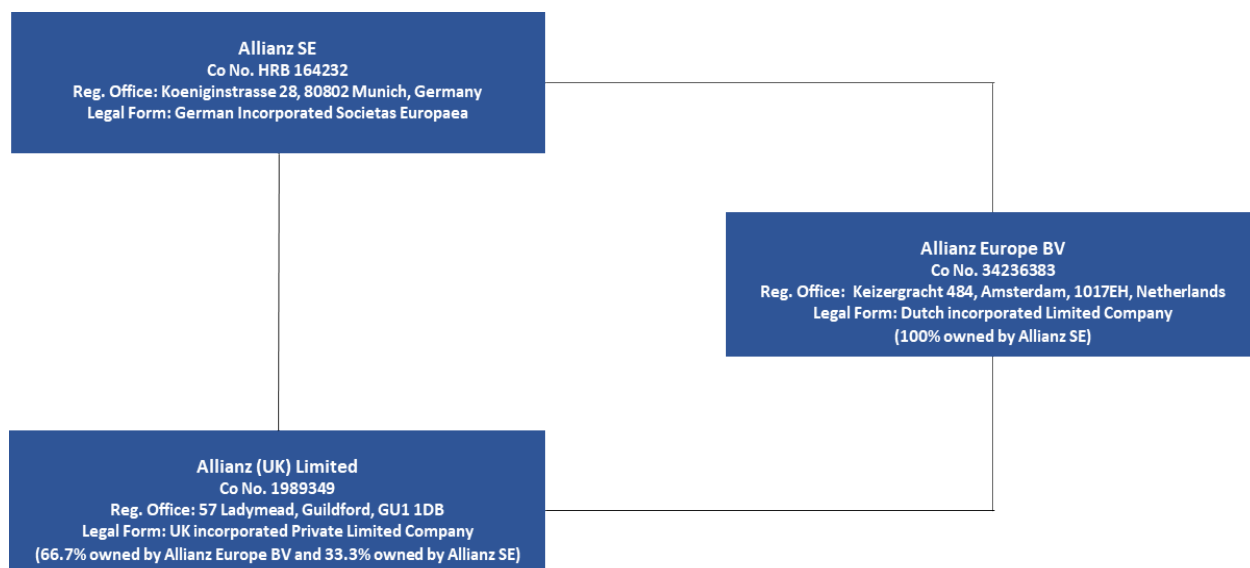
PRA: 20 Moorgate, London, EC2R 6DA

FCA: 12 Endeavour Square, London, E20 1JN

Description of the holders of qualifying holdings in the undertaking

The Company is a wholly owned subsidiary (via intermediate holding companies) of Allianz SE, incorporated in Germany (Registered address; Koeniginstrasse 28, 80802 München, Germany).

The structure charts below describe the ownership structure of Allianz (UK) Limited ("Allianz UK") within the Allianz SE group, including details of the holders of qualifying holdings in the Company, and also its material related undertakings.

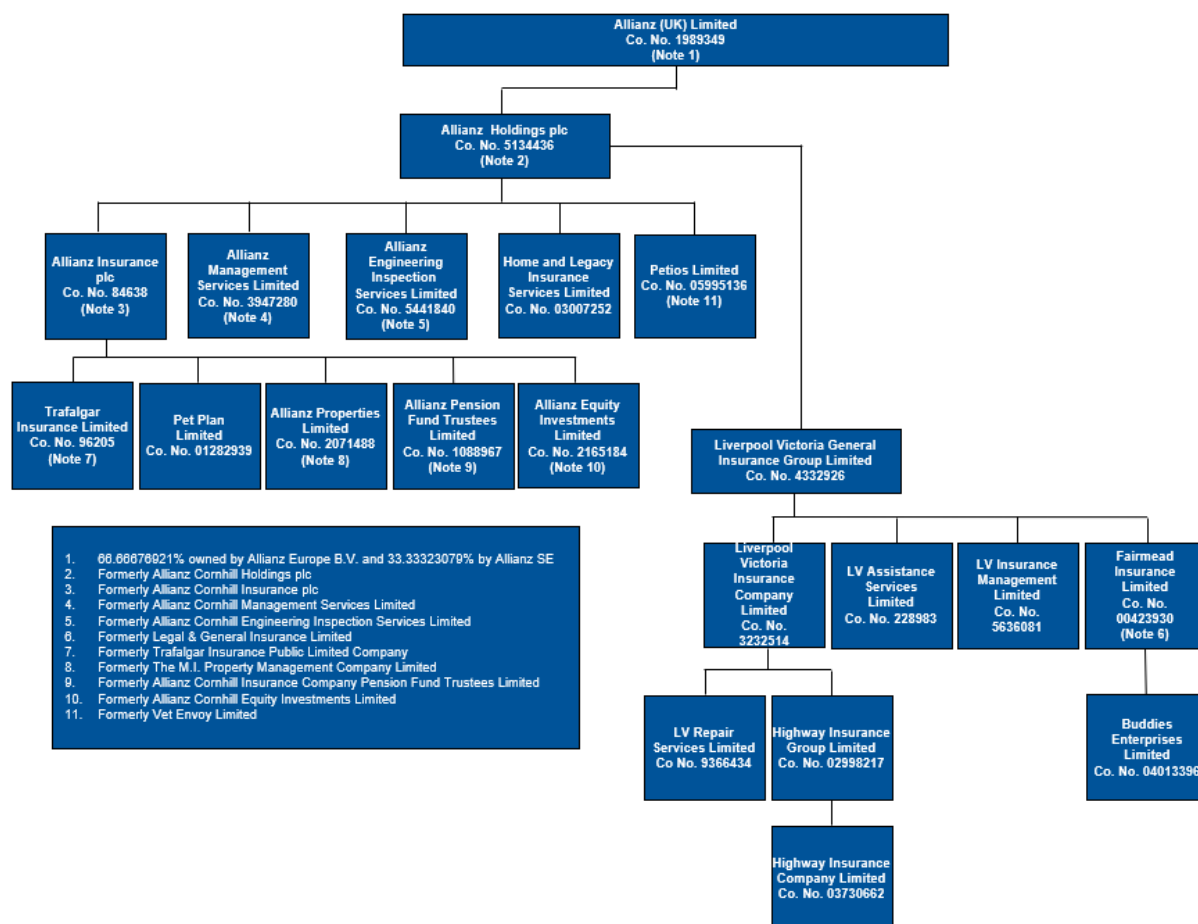


A. Business and Performance

Details of the undertakings within the group

All Allianz UK companies are UK incorporated. As at 30 September 2024, they all had their registered offices at 57 Ladymead, Guildford, GU1 1DB.

All Allianz UK companies shown on this page are private limited companies except for AzH and Allianz Insurance plc (“AZI”) which are public limited companies.



Material lines of business and material geographic areas

The Company is a general insurance company, it operates within the UK, the Channel Islands and the Isle of Man. The principal activity of the Company is the transaction of general insurance business, specifically relating to risk covers for Household. The Company stopped underwriting Household business in May 2022 except for a Household book of business via a contract with a MGA which underwrote policies on behalf of the Company until 31 March 2023. The Company has also previously underwritten risks relating to short term income protection and Pet insurance. All lines of business are now in run-off.

A. Business and Performance

Significant business or other events occurring during the reporting period that have a material impact on the undertaking

There have been no significant changes to the structure or operations of the Company throughout the reporting period. All lines of business, including Household, are now in run-off.

The SFCR and all tables within it are presented in pounds sterling rounded to the nearest thousand, which is consistent with the presentation in the UK Generally Accepted Accounting Practice ("UK GAAP") Annual Report and Financial Statements. The QRTs are presented in pounds sterling rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

A. Business and Performance

A.2 Underwriting performance

The table below summarises the underwriting performance in 2024 split by SII line of business:

	2024		
	Net Premium Earned (£000)	Net Claims Incurred (£000)	Net Expenses Incurred (£000)
Fire and other damage to property	19	(4,175)	(2,573)
Income protection insurance	-	(10)	(97)
Miscellaneous financial loss	-	(93)	(542)
General liability	1	8	(64)
Total	20	(4,270)	(3,276)

The Company has a 100% quota share arrangement transferring all economic risk in respect of the business underwritten via the MGA, which was Household insurance. The treaty was effective from 31 December 2019 and acts before the joint catastrophe treaty.

The Company has a quota share reinsurance arrangement with an Allianz SE group reinsurance company. The arrangement is that 50% of net earned premiums and net claims are ceded (after all other reinsurance and quota share arrangements) and the Company receives a contribution of 38.2% of ceded earned premiums against incurred expenses and commission. This has the benefit of improving the solvency position by reducing the capital the Company is required to hold.

Although the Company ceased underwriting on 1 April 2023, there has been transacted premium recognised in the year as a result of a time lag in reporting of data from the cover holders. The Company accounts for a pipeline premium accrual, and the premium recognised in the current year is an adjustment to the estimate, as a result of the time lag outlined.

Claims performance has seen inflationary pressure particularly on subsidence related losses. This has impacted both the main Household book and the MGA book relating to periods preceding the 100% quota share reinsurance contract.

Operational costs have continued whilst managing the run-off of the Company. These include on-going finance and actuarial resources, audit fees and one-off costs relating to customer remediation activity. Claims handling has been delegated to Liverpool Victoria Insurance Company Ltd ("LVIC").

A. Business and Performance

A.3 Investment performance

The table below summarises the investment performance during 2024 of the funds directly invested by the Company and provides a comparison with prior year.

£000	Carrying Value 30/09/2022	Net Additions/(Disposals)	Net unrealised gains/(losses)	Carrying value 30/09/2023	Net Additions/(Disposals)	Net unrealised gains/(losses)	Carrying value 30/09/2024	2024			2023		
								Net realised gains/write downs	Income	Expense	Net realised gains/write downs	Income	Expense
Fixed Income	78,344	(14,497)	3,399	67,246	(49,190)	4,166	22,222	(1,895)	556	42	-	1,017	33
Government	24,609	(5,248)	909	20,270	(8,056)	408	12,622	-	61	21	-	160	17
Corporate	53,735	(9,249)	2,490	46,976	(41,134)	3,758	9,600	(1,895)	495	21	-	857	16
Loans	29,845	(28,779)	-	1,066	11,513	-	12,579	-	669	-	-	1,269	-
Total	108,189	(43,276)	3,399	68,312	(37,677)	4,166	34,801	(1,895)	1,225	42	-	2,286	33

The table above shows the investments held by the Company.

The Company's investment portfolio is in run-off and the Company's account is managed by the asset manager, PIMCO Europe Ltd, while the portfolios reduce. The investment strategy of the Company has been to invest in a high quality, well diversified investment portfolio that maximises investment return, subject to solvency, liquidity, asset liability matching and other constraints. The Company holds insurance assets to ensure the security, liquidity and quality of the portfolio as a whole, while taking into account the business model, nature and duration of its insurance liabilities.

The Company is exposed to the impact of adverse economic conditions on its investment portfolio. The Company's investment portfolios are gradually maturing and the proceeds are being retained in cash to settle the run-off of the insurance reserves.

During the year to 30 September 2024, the Company sold bonds to generate liquidity to fund the repayment of an intercompany loan. The Company's remaining investment portfolio is invested into high quality government and covered bonds, and cash. The Company generated £1,225k in investment income. Additionally, the sale of bonds realised losses of £1,895k. The change in fair value of available for sale financial assets increased by £4,166k during the year due to falling yields and narrowing credit spreads.

A. Business and Performance

A.4 Performance of other activities

During the year ended 30 September 2024, the Company incurred £2,667k (2023: £4,729k) in recharges from a fellow Group undertaking for staff related costs.

Operational costs include ongoing finance and actuarial resources and £1,000k one-off spend relating to customer remediation activity, which originally began in 2020.

A.5 Any other information

The SCR ratio as at 30 September 2024 is 735% (2023: 306%).

The current intention is that the Board will apply for a Part VII transfer to rationalise the insurance entities in the Group during 2026. However, no binding legal or regulatory substantive steps have been undertaken at the date the financial statements have been authorised for issue.

B. System of Governance

B.1 General information on the system of governance

Boards and committees

On 30 September 2024, the Board of the Company comprised of three Directors.

During the year, Stuart Diffey and Henry Topham were appointed as Directors. On 30 April 2024 and 31 August 2024, Michael Crane and Mark Dixon resigned from their role as directors retrospectively.

The Directors comprise of the Group Chief Financial Officer ("CFO") (Ulf Lange), Group Managing Director of Retail (Henry Topham) and FIL CFO (Stuart Diffey). The role of the Chair is undertaken by Ulf Lange. The Chair is responsible for the effectiveness of the Board, including facilitating objective debate to ensure effective decision-making.

At each quarterly Board meeting, the Board receives business updates from each of the Directors on the performance of their respective areas of responsibility for the business conducted by the Company. A more detailed review of the underlying businesses' financial performance is contained in the monthly Executive management information report. At each quarterly Board meeting, the Board also receives a report from the CRO on prudential, operational and conduct risks impacting the Company. The Group Chief Actuary also submits a report updating the Board on the technical provisions.

The Company leverages the governance structure of the Group. The Board of AzH ("Combined Board") is responsible for deciding the business strategy and for ultimate oversight of the conduct and performance of the Group as a whole. The Combined Board has established several committees and a system of internal control to ensure the efficient and effective operation of the Group's businesses. The committees include the Audit Committee, the Risk Committee, the Customer & Conduct Committee, the Compensation & Nomination Committee and the Finance & Investment Committee ("FICO"). During the year, all of the Combined Board's committees with the exception of the FICO were chaired by a non-executive Director. The Combined Board's committees provided constructive challenge and oversight across the work carried out by those committees. The FICO had one non-executive Director member, who stepped down from the Committee during the financial year and is chaired by the Group Chief Executive Officer ("CEO"). During the financial year, the FICO's governance structure and reporting was changed, to make it a sub-committee of the AzH Executive Committee. The committees are responsible for oversight of their subject matter on behalf of the Group including the Company. Rolling forward agendas are reviewed at committee meetings and updated, as required, to ensure members have an advanced view of the key matters for consideration throughout the year. The Company's Board is satisfied that the governance structure is appropriate and that the committees effectively consider matters on behalf of the Company.

The Combined Board develops the strategy of the Group including the Company, but the Company's Board monitors its performance and has oversight of the conduct of the Company. The Board of the Company considers the external reporting of the Company.

Memberships of the Combined Board committees are detailed below. One Director stepped down from his directorship during 2024 as set out in the table. In 2023, changes were implemented to the sub-committee governance structure resulting in the AzH Executive Committee no longer being a committee of the Combined Board, but deriving authority from the Group CEO who the committee supports in implementing the Group's strategy.

B. System of Governance

		AzH Executive Committee	Risk Committee	Audit Committee	Finance & Investment Committee	Compensation & Nomination Committee	Customer & Conduct Committee
Paul Evans	Non-Executive Director – Chair		X	X		X	X
Denise Larnder	Non-Executive Director		X	X			X
Teresa Robson-Capps	Non-Executive Director		X	X		X	Chair
Andrew Torrance¹	Non-Executive Director		X	X	X	Chair	X
Christopher Townsend	Non-Executive Director						
Jose Vazquez	Non-Executive Director		Chair	X			X
Oliver Corbett²	Non-Executive Director		X	Chair ²		Chair ²	X
Ulf Lange	Chief Financial Officer, AzH	X			X		
Colm Holmes	Chief Executive Officer, AzH	X			Chair		X

1 – Resigned from all committees with effect from 31 March 2024.

2 – Oliver Corbett was appointed as Chair of the Audit Committee from 1 December 2023 (subject to regulatory approval). Necessary regulatory notifications were submitted to allow Denise Larnder to temporarily stand down from her role as Chair of the Audit Committee. Oliver became Chair of the Compensation and Nomination Committee on 1 April 2024.

Potential conflicts of interest between the Company, its policyholders and other Group companies are regularly identified and managed. The processes in place to manage potential conflicts include documented requirements for governance and appropriate independence. The Company's Board maintains and regularly reviews a register of the interests of the Directors.

The Combined Board's Customer & Conduct Committee is responsible for oversight of material customer and conduct matters both current and emerging, including reviewing matters from a customer impact perspective and the implementation of the Consumer Duty regulation. During the year, the membership of the committee comprised an independent non-executive director who acted as Chair, at least four other members who were independent non-executive directors, one of whom was the Combined Board's Risk Committee Chair, additionally the committee membership also included the Group CEO.

The Combined Board's Risk Committee is responsible for oversight of both current and emerging risks that the Company faces and also determining links between different risks. They are also responsible for the Enterprise Risk Management Framework within which the Company manages those risks. During the year, the membership of the Risk Committee comprised an independent non-executive director who acted as Chair and five other independent non-executive directors, one of whom stepped down from their role during the year.

The Combined Board's Audit Committee is responsible for the oversight of policies and procedures relating to internal control and financial/regulatory reporting, to ensure the independence and effectiveness of internal and external audit functions and the integrity of financial and narrative statements for the Company. During the year, the membership of the Audit Committee comprised an independent non-executive director, who acted as Chair, and at least four other independent non-executive directors.

B. System of Governance

The Combined Board's Compensation & Nomination Committee is responsible for oversight of compensation and nomination matters relating to executives and employees of the Group. The Compensation & Nomination Committee's responsibilities include oversight of the design, governance and operation of the Group's compensation system; identifying local risk takers and controlling their compensation according to applicable regulations; reviewing the size, structure, and composition of the Combined Board; identifying non-executive director candidates when vacancies arise; reviewing the leadership needs of the organisation; and reviewing gender pay gaps and diversity and inclusion matters. During the year, membership of the Compensation & Nomination Committee comprised of an independent non-executive director who acted as Chair, the role of the Chair changed during the year as detailed within the table above and at least two other members who must be independent non-executive directors. The Chair of the Risk Committee is invited annually to participate in the committee's discussions around rewards reflecting risk taking and conduct issues. The committee also reviews any Combined Board performance evaluation process and recommendations.

The AzH Executive Committee meets at least 10 times each year. The members of the AzH Executive Committee as at 30 September 2024 were:

- Chief Executive Officer
- Chief Financial Officer
- Managing Director, Commercial
- Managing Director, Personal
- Managing Director, Specialty
- Chief People and Culture Officer
- Chief Operating Officer
- Chief Risk Officer
- Chief Compliance and Corporate Affairs Officer
- Chief Legal Officer and Company Secretary
- Chief Actuary
- Chief Audit Officer
- Chief Transformation Officer

The sub-committees of the AzH Executive Committee comprise:

- Change and Investment Committee
- Executive Conduct Committee
- Executive Risk Committee
- People Committee
- Insurance Committee
- Governance and Control Committee
- Financial Reporting and Disclosure Committee

Defined Roles and Responsibilities

The following four key functions required by SII are each headed by the following individuals:

- Risk Function: Hanna Kam – Chief Risk Officer
- Compliance Function: Alison Rayner – Chief Compliance and Corporate Affairs Officer
- Actuarial Function: Laurence Townley – Chief Actuarial Officer
- Internal Audit Function: Matthew Cox – Chief Audit Officer

The Group additionally designates the following key functions:

- Legal Function: Christopher Twemlow – Chief Legal Officer & Company Secretary
- Accounting and Reporting Function: Christoph Rosenfeld – Group Financial Controller

Key function authority, operational independence and resources are described in sections B.3 to B.6 of this report. All members of the Company's Board and AzH Executive Committee, the heads of key functions and certain other senior managers have been approved where appropriate by the PRA and/or the FCA.

The Senior Managers and Certification Regime ("SM&CR") sets out the prescribed responsibilities which must be allocated to specific individuals in insurance companies. The following table sets out which role within the Company is responsible for the execution of each specific responsibility.

B. System of Governance

Prescribed Responsibility	SMF	Name	Role
Senior Managers Regime	SMF9	Ulf Lange	CFO, Allianz Holdings plc
Certification Regime	SMF9	Ulf Lange	CFO, Allianz Holdings plc
Conduct rules training and reporting	SMF1	Henry Topham	CEO
Responsibilities map	SMF16/17	Alison Rayner	Chief Compliance and Corporate Affairs Officer
Anti-financial crime policies and controls	SMF1	Henry Topham	CEO
Induction, training and professional development of all members of the firm's governing body	SMF9	Ulf Lange	CFO, Allianz Holdings plc
Induction, training and professional development of all the firm's SMF managers and key function holders	SMF1	Henry Topham	CEO
Overseeing adoption of the firm's culture in the day-to-day management of the firm	SMF1	Henry Topham	CEO
Leading development of the firm's culture by the governing body as a whole	SMF9	Ulf Lange	CFO, Allianz Holdings plc
Development and implementation of remuneration policies and practices	SMF12	Oliver Corbett	Non-Executive director
Oversight of the independence, autonomy and effectiveness of Whistleblowing policies and procedures	SMF11	Oliver Corbett	Non-Executive director
Management of the allocation and maintenance of the firm's capital and liquidity	SMF2	Stuart Diffey	CFO
Responsibility for production and integrity of firm's financial information and its regulatory reporting	SMF2	Stuart Diffey	CFO
Development and maintenance of the firm's business model by the governing body	SMF1	Henry Topham	CEO
Responsibility for the performance of the firm's ORSA	SMF4	Jose Morago	CRO
Obligations in Insurance for Fitness and Propriety	SMF9	Ulf Lange	CFO, Allianz Holdings plc
Obligations in respect of outsourced operational functions and activities	SMF1	Henry Topham	CEO

B. System of Governance

SII legislation, as onshored into UK law, requires that the Group's system of governance framework ("the System of Governance") be subject to regular internal review. The Group, including the Company, conducts this review annually. It is a consolidated cross-functional assessment of elements of the System of Governance through all relevant sources for evaluation. Entity level control assessment testing forms part of the review and is carried out by the Internal Audit department. Adequacy assessment of certain System of Governance elements are also conducted.

The requirement to conduct the System of Governance review is reflected in the Group's Governance and Control Policy. The System of Governance review is assessed by the Governance and Control Committee, before being considered by the AzH Risk Committee and AzH Board, ahead of a Statement of Accountability Attestation being completed by the CEO and CFO and returned to the Allianz SE Group.

The Group's remuneration framework has been constructed to ensure that it is competitive and provides a balance of both fixed and variable pay but does not encourage excessive risk taking. The framework and the processes within it are reviewed by the AzH Compensation & Nomination Committee. The review also monitors the remuneration framework's consistency with the Company's identified risk appetite.

The Compensation & Nomination Committee is responsible for the sign-off of all remuneration decisions affecting the senior executive managers of the Company. This ensures impartiality of decision making and ensures there are no conflicts of interest in respect of remuneration decisions and is guided by Group principles and requirements.

The remuneration of all Group employees comprises a combination of basic salary, appropriate benefits and a performance related bonus. In the case of some senior employees, the bonus is paid as a combination of cash and long-term equity incentives whose value is related to the price of Allianz SE shares. The performance related bonus is based upon a combination of the Group's performance against targets and personal performance against specific personal objectives. Personal objectives comprise both business and behavioural components which receive equal emphasis. The most senior managers complete a 360-degree feedback process to contribute to their assessment. It is the responsibility of managers to ensure that personal targets in place are objective and understood by the participants.

Independent non-executive directors receive fixed remuneration.

In this context "persons who exercise significant influence" are deemed equivalent to "People with Significant Control" as defined by the Companies Act 2006, together with the people with significant control over those people and so on to the ultimate group shareholder.

B.2 Fit and proper

The Company requires that all Directors and other senior managers possess integrity, good reputation, specific skills, knowledge and the experience necessary to execute their respective roles. This requirement aligns to the requirements of the PRA and the FCA within the UK regulatory SM&CR, and includes all managers identified as Key Function Holders. The individuals, with the support of their line managers, are responsible for ensuring that their skills, knowledge and experience remain adequate and kept up to date.

Processes are in place to assess the fitness and propriety of individual managers and Directors subject to the SM&CR prior to those persons joining the Company or assuming a relevant position. Thereafter, annually throughout their employment, a detailed attestation is required from the relevant individual. This includes declarations concerning:

- Criminal proceedings or investigations against them (or any firm over which they have held influence)
- Civil proceedings and bankruptcy orders or liquidation or similar proceedings against them (or any firm over which they have held influence)
- Disciplinary proceedings or findings against them
- Regulatory proceedings or findings against them (or any firm over which they have held influence)
- Compliance with procedures concerning personal account dealings in Allianz SE and other securities
- Potential or actual conflicts of interest

B. System of Governance

B.3 Risk Management system including ORSA

Risk Management Framework

All businesses face uncertainty, and the challenge for management is to determine the nature and extent of uncertainty the Group may encounter. This also ensures that the Group has processes in place by which it assesses the risks to which it is exposed, both on a current and forward-looking basis.

An ERM framework forms the overarching framework for management to identify, monitor and control the various risks the Group may encounter. This also ensures that the Group has processes in place by which it assesses the risks to which it is exposed, both on a current and forward-looking basis.

The Company's Board delegates oversight of risk management to the executive management teams. The CRO is supported by the Risk function which is made up of risk professionals with expertise across financial and non-financial risks. Managers within business units are collectively and individually responsible for managing risk in their own areas.

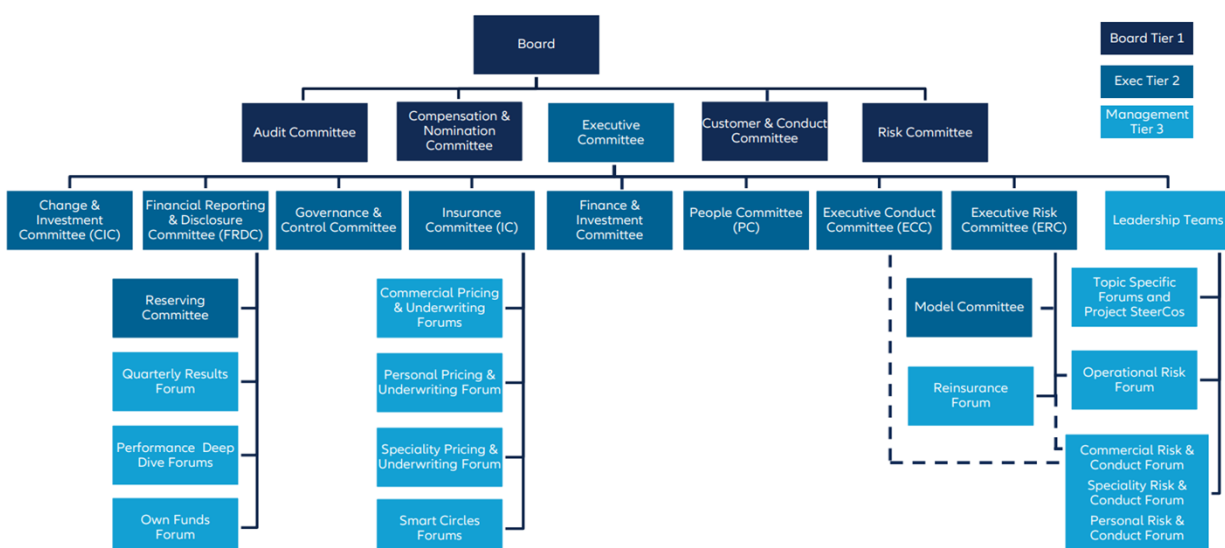
To ensure that the Group is as well prepared as possible to identify and manage risks in a rapidly changing environment, there are a number of key risk management processes and policies in place. These processes are enabled by an appropriate governance structure to support effective risk management processes and the appropriate risk culture.

The Company's Board is able to make informed and robust decisions based on information delivered via risk management processes described in the Risk Policy. Risk management performance is monitored and the evolution of the risk profile through the ORSA process. Any significant deviations from the Risk Policy or other significant identified risks are communicated to the Company's Board.

The Company uses the Standard Formula to determine its solvency requirements. The Standard Formula is used as the primary input for decisions on capital management. The CFO ensures that recommendations to the Company's Board on capital management take account of risk management activities.

A comprehensive committee structure is in place to ensure that risks are considered at the appropriate level. The diagram below gives further details of the committee structure.

Allianz UK management committees



B. System of Governance

ORSA Process

The ORSA process forms a substantial part of the risk management framework described above. The ORSA consists of a number of interlinked sub-processes, including but not limited to:

- Top risk assessments
- Internal Risk and Control System within the non-financial risk management framework ("NFRM")
- Stress and scenario testing
- Capital and solvency assessments
- Corporate strategy and planning

The ORSA covers the overall solvency needs from a forward-looking perspective, taking into account the Company risk profile, approved risk tolerance limits, the business strategy and the significance with which the company risk profile may deviate from the assumptions underlying the Standard Formula. The ORSA is an integral part of the development and monitoring of the business strategy and is considered on an ongoing basis in strategic decisions. Roles and responsibilities relating to the ORSA include the Board setting process requirements and challenging and approving the ORSA report.

The ORSA report is produced annually in alignment with the corporate planning process and is supported by quarterly updates to the Board Risk Committee. The ORSA may also be updated following any event that materially changes the risk profile of the organisation.

A full non-regular ORSA process may be required after any event that could substantially alter the overall conclusions of the most recent (regular annual) ORSA report. The following potential trigger events have been identified:

- Large UK-based natural catastrophe events that have a significant impact on the Company risk portfolios
- Major change in business situation e.g. merger, acquisition or divestiture activity which would require the Company to assess the impact on its current and projected solvency
- Significant capital market dislocation that has a material impact on the Company investment portfolios
- Material regulatory intervention
- Significant changes to the risk profile leading to a need to re-assess the appropriateness of the Standard Formula
- Significant changes to reinsurance arrangements
- Significant changes in regulation or legislation, e.g. material changes to capital requirements
- Materialisation of a significant non-quantified risk (e.g. Strategic, Reputational, Liquidity or Conduct risk)

During 2024, the impact of inflation and global geo-political conflicts have remained key considerations as part of the ORSA process, with the Risk function being involved across the business in evaluating emerging risks.

The ORSA process is underpinned by individual accountabilities and processes undertaken by first-line managers across the organisation. These include but are not limited to, defined authority levels for claims handling and underwriting as well as limits on investment risk-taking.

The major sub-processes that contribute to the ORSA process are:

- The setting of risk strategy and appetite by the Board, on the advice of the AzH Risk committee and CRO
- The development of strategy and a business plan within the defined risk appetite
- The approval of policies and standards in the management of risk by appropriate governance bodies and the monitoring of compliance with those policies and standards by the Risk function
- A number of risk evaluation processes, including
 - The maintenance of a top risk register, including a record of the controls around those risks
 - The regular analysis of the impact of specific stress scenarios
 - The maintenance of a register of key operational risks
- Regular internal reporting on risk exposure and control to governance bodies inside the organisation
- Regular external reporting to regulators and to the public, as required by regulation

B. System of Governance

Risk Responsibilities

The Company's Board is responsible for setting and reviewing the risk appetite in line with the Group's requirements. The Group has a written statement confirming the degree of uncertainty (or risk) that the Group is willing to accept in the pursuit of its goals. The Group has a conservative and controlled risk appetite that is aligned to achieving corporate objectives and meeting regulatory requirements as well as the requirements of the Group.

In relation to the objectives in the annual corporate plan, the Group aims to ensure that it is not unduly exposed to any event or combination of events that could cause a variance in the result that would be considered inconsistent with the stated risk appetite. The Group's Risk Committee is responsible for oversight of risks, both current and emerging. Mitigation activities are agreed by the Risk Committee and issues are escalated and acted upon as appropriate. Risks are monitored by the Risk Function via the risk management processes in place.

The Group has established clear communication channels. Internally, risks are discussed and escalated to relevant committees including the Group's Risk Committee. Externally, the Group's risk profile is outlined in the Annual Report and Financial Statements. The Group applies the "three lines of defence" model which also applies to the Company:

- The first line of defence runs the business and is accountable for day to day risk-taking and management.
- The second line of defence is made up of the control functions, i.e. the Risk, Compliance and Legal functions and is accountable for advice, oversight and challenge.
- The third line of defence is the Internal Audit function and is accountable for providing independent assurance.

B.4 Internal control system

To ensure an effective internal control system, all functions cooperate to exchange necessary information and advice. Second-line and third-line functions maintain open lines of communication with first-line functions and attend key committees at all levels of the Company's governance structure.

With regard to the integrity of financial reporting, the Risk function oversees the first-lines application of Operational Risk and Control Management. Under this approach, controls relevant for financial reporting are tested by the first or second lines of defence on a risk basis and reported by the Risk function. Additional testing is also completed by Internal Audit and external auditors. Internal Audit tests the operating effectiveness of entity level controls. Senior managers across the organisation, led by the CFO and the CEO, are held accountable for the effective design and performance of processes within their span of control. The NFRM framework, including the reporting of risks outside of appetite, the reasons for this assessment and the remedial actions to bring them back into appetite, is monitored by the Risk Committee.

Compliance Function

Compliance is a key function within the internal control system of the Company. The function's primary responsibilities and activities are:

- To support and monitor compliance with applicable law, regulations and administrative provisions to protect the Company against compliance and conduct risks.
- To advise senior management, committees and the Board on compliance with laws, regulations and administrative provisions adopted pursuant to SII.

The activities and processes of the Compliance function are not exclusively performed by Compliance and may be delegated to, or supported by, other departments, business areas, Internal Audit, Risk, and Actuarial, or external resources.

During the year, the Compliance Department comprised a full-time team of Compliance professionals led by the Chief Compliance and Corporate Affairs Officer, who is a member of the Allianz UK Executive Committee. Compliance is a second-line function; independence of the function is ensured by written policy and by the oversight of the Board's Customer and Conduct Committee. The Compliance Department produces an annual monitoring plan, in consultation with the Risk and Internal Audit functions, for approval by the Customer and Conduct Committee.

B.5 Internal audit

The Internal Audit function exists to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control

B. System of Governance

processes. Internal Audit has a Policy and Charter, approved annually by the AzH Audit Committee to document its mission, scope, independence, accountabilities, responsibilities, authorities and standards.

The Chief Audit Officer (“CAO”) reports functionally to the Chair of the Group Audit Committee and administratively (i.e. day-to-day operations) to the AzH CEO. The CAO has unrestricted access to, and communicates and interacts directly with, the Executive committee and Audit Committee, including in private meetings without management present. The CAO does not have any additional roles or responsibilities outside of internal auditing and all internal audit personnel report directly to the CAO.

Internal Audit prepares, at least annually, a risk-based internal audit plan to the Audit Committee for review and approval. Senior management and second-line assurance functions are consulted during the preparation of the plan. Over the five year planning cycle, all applicable audit universe components and legal entities are expected to be audited, with exceptions identified to Audit Committee for ratification.

The plan is reviewed and adjusted, as necessary, in response to changes in the Group’s business, risks, operations, programmes, systems, and controls. Plan performance, including the results of audits, completion of open audit findings and any significant interim changes to the internal audit plan are regularly communicated to senior management and the Audit Committee.

As the Company has now completed the integration of its business operations into the wider Group and all product lines are now in run off, there were limited reviews carried out specifically in relation to the Company as a standalone entity. Instead, the Company was able to benefit from reviews carried out across the functions and structures within the Group upon which it leverages and within which it is integrated.

B.6 Actuarial Function

SII requires that each company has an Actuarial function to:

- Co-ordinate the calculation and validation of technical items under UK GAAP and SII, including technical provisions calculations.
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions.
- Assess the sufficiency and quality of the data used in the calculation of technical provisions.
- Compare best estimates against experience.
- Inform the Board of the reliability and adequacy of the calculation of technical provisions.
- Express an opinion on the overall underwriting policy.
- Express an opinion on the adequacy of reinsurance arrangements.
- Contribute to the effective implementation of the risk management system.
- Prepare an annual report on the actuarial function (“Actuarial Function Report”).
- Report the results of the reserve valuations to the Board and Group via the Group Audit Committee.

The Actuarial function’s independence is supported by written policy. It recommends the level of Technical Provisions to the Group’s Reserving committee. The work of the Actuarial function, and its independence, is overseen on behalf of the Board by the Audit Committee.

The Actuarial function consists of the Chief Actuary who is supported by a team of actuarial professionals. The Chief Actuarial Officer holds an Institute & Faculty of Actuaries Chief Actuary Practising Certificate and is the approved SMF20 Chief Actuary Function Holder. The Actuarial function reports on compliance with the above requirements by producing an Actuarial Function Report.

B.7 Outsourcing

All outsourcing arrangements are entered into and managed in accordance with the requirements of the Outsourcing Policy (“the Policy”). The Policy is owned by the Head of Procurement and is approved by the Combined Board on an annual basis.

The Policy sets out a clear framework for making decisions on when to outsource, the requirements to contract with a service provider and the management of the outsourcing arrangement. Compliance with the Policy is overseen by the UK outsourcing function, who, with the procurement team, also provide expert advice on setting up, managing and terminating outsourcing and other contracts. Suppliers are risk-assessed by Procurement at the point of initial engagement, and at intervals throughout the lifetime of the contract, drawing advice from key functions as and where required. Risks considered include cyber risk, information security risk, business continuity risk and data privacy risk.

B. System of Governance

Critical or important function suppliers are managed closely ensuring that the appropriate monitoring and oversight is in place for these suppliers.

All requirements set out in the Policy also apply to outsourcing to another Group company.

All outsourcing arrangements are recorded on an Outsourcing Register. The Outsourcing Register records the rationale for outsourcing of each arrangement, the location of the outsource provider and confirmation that appropriate oversight is in place.

In 2024 the approach to oversight included the following controls:

- All Outsourcing arrangements must have a signed contract incorporating standard terms and conditions or specific terms which have been fully risk assessed.
- Financial health monitoring using an automated alerting system.
- Monitoring of third-party companies and directors against the HMRC Sanctions list.
- Where information is shared with third parties a series of questionnaires (including those relating to cyber risk, information security and data protection) are sent to each supplier prior to the commencement of their service and subsequently the risks are assessed against appetite.
- Privacy impact assessments are used to inform data protection.
- Due diligence is completed on all potential service providers to ensure they have the capability, capacity and authorisations required to meet the requirements of the business.
- On a quarterly basis, a review is completed on each critical or important supplier. Reviews cover third parties' internal controls as well as completion of activities relating to relationship management and oversight. This includes, but is not limited to, details relating to Policy Compliance, Exit Planning, Business Continuity Planning, Supplier Capability, Performance Reviews and Conduct Risk. Summaries of information are provided to safeguarding functions and Business Owners for sign off prior to being submitted to the Operational Risk Forum and the Executive Risk Committee for review.
- Creation of supplier service specific business continuity and exit plans, including provisions for management of cyber risk events and alternative suppliers to be used if required.
- The table below outlines the critical or important functions or activities that as at the 30 September 2024 the Company outsourced, and the jurisdiction in which the service providers are located.

Activity outsourced	Fellow member of the Allianz SE Group	Outsourcing Provider's Jurisdiction
Delegated authority to handle specific claims and/or underwriting of specific segments	N	United Kingdom
Handling of claims and/or provision of specific underwriting expertise	N	United Kingdom
Provision of document preparation, printing and distribution	N	United Kingdom
Information technology services including software, hosting, development and support of business services	Y Y N	Germany India United Kingdom
Information technology infrastructure	Y	Germany
Asset and Real Estate Management	Y N	United Kingdom United Kingdom
Business support services	Y N	India United Kingdom

The Company does not outsource any of the four key functions defined by SII – Risk, Compliance, Actuarial and Internal Audit.

B. System of Governance

B.8 Additional information

The Company monitors the effectiveness and adequacy of its System of Governance, including the effectiveness of specific functions. The Risk function is responsible, among other things, for assessing risks and monitoring risk capital. This also includes the ongoing assessment of risks resulting from global geo-political conflicts and high inflation rates. Financial impacts of potential adverse events on the Company's solvency position have been assessed and are closely monitored by quarterly stress and scenario analysis, reported to the Combined Board Risk committee.

C. Risk Profile

This section provides information on the Company's overall risk profile followed by a description of each risk category in detail.

Measurement of Risk

Risk is measured and steered using a number of quantitative and qualitative tools which allow management to identify the key areas of risk exposure and make informed decisions as to whether the current levels of exposure are consistent with risk appetite:

- The main quantitative tool is the SII Standard Formula, under which the Company derives its risk capital from potential adverse developments of Own Funds. The resulting profile provides an overview of how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with SII.
- An analysis of change is performed on the regulatory capital requirements on a quarterly basis, looking at individual risks as well as the whole SCR.
- Capital and Own Funds are monitored on a regular basis and the results reported to Senior Management.
- The Company uses a combination of processes, such as expert judgement and incident management, to identify, assess and control qualitative risks. Qualitative risks are regularly monitored by management to ensure that they do not materially impact on the operational activities necessary for the achievement of business plans.

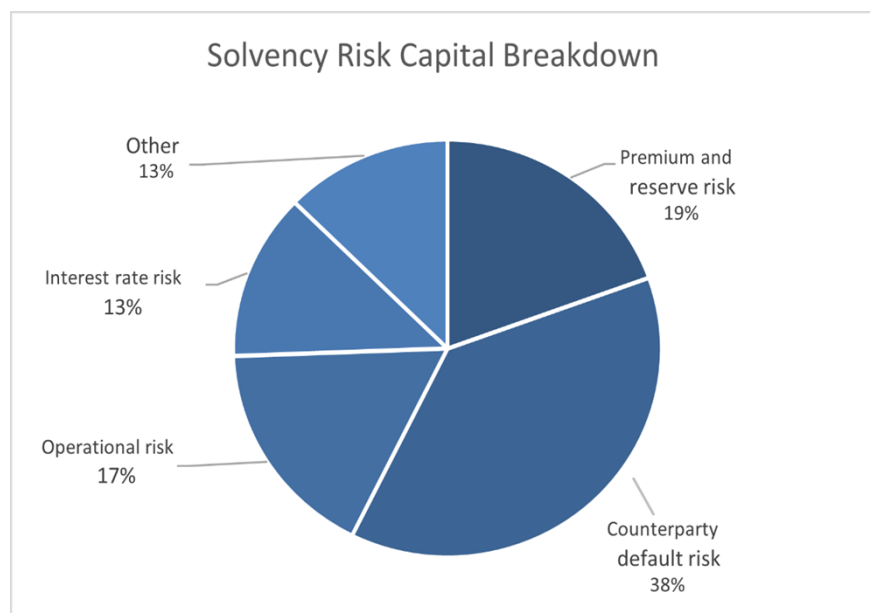
Risk Exposures Overview

The Company has insured only non-life insurance risks, which it ceased underwriting in 2023. As a result of its asset management activities to support its primary business activities, the Company is also exposed to market and credit risks.

The Company does not use Special Purpose Vehicles to transfer risk and is not exposed to risk from positions off its balance sheet.

During the year, there were no material changes in the methods used to assess risks. The business is now formally in run-off with the remaining exposure predominantly related to existing claims.

The chart below shows the composition of the Standard Formula Solvency Capital Requirement as at 30 September 2024 by risk type, before diversification between categories. The largest exposure, amounting to 38% of the SCR relates to counterparty default risk followed by premium and reserve risk at 19%, operational risk at 17% and interest rate risk at 13%.



C. Risk Profile

Prudent Person Principle

The Company operates within an investment framework which ensures that all assets are invested in accordance with the prudent person principle. All investment and strategic management decisions are set within Board approved risk appetite limits. The Company meets the Prudent Person Principle by employing a professional Chief Investment Officer, who is supported by the global and specialist expertise of Allianz Investment Management at the Allianz SE group level.

C.1 Underwriting risk

Underwriting risk consists of premium and reserve risk.

There is a concentration of underwriting risk because the outstanding reserves of the Company relate to a very small number of claims. This concentration is managed by the Company, advised by their claims and actuarial advisors. The main mitigation factor in place is the presence of reinsurance, limiting the possible adverse development.

Premium and reserve risk

The Company is in run-off and no longer holds any active policies; therefore, there is no exposure to premium risk.

The Company holds reserves for claims resulting from past events that have not yet been settled. If the claims reserves are insufficient to cover claims to be settled in the future due to unexpected changes, losses would be incurred. Claims reserves could be under-estimated if, for example, more claims had occurred in the past than have been estimated or average amounts paid per claim to settle these are higher than expected. This risk is referred to as reserve risk.

The Company monitors the development of reserves for insurance claims on a line of business level quarterly through a reserving exercise assessing the unpaid claims reserves both gross and net of reinsurance.

The undiversified risk capital for premium and reserve risk as at 30 September 2024 was £1,237k.

C.2 Market risk

Market risk arises as part of the general investment performance and the impact of discounting on liabilities.

The Company assesses its market risk exposure via quantitative and qualitative processes carried out by the Investment and Risk functions, including regular dialogue between the functions and formal reporting to the Group Finance & Investment Committee and the Risk Committee.

The guiding principle for the Company's investment risk management, covering market risk, credit risk and liquidity risk, is the 'Prudent Person Principle'. The Company only invests in assets it can properly identify, measure, monitor, manage, control, report and appropriately integrate in its solvency assessment. The table in section A.3 provides information on the investment portfolio as at 30 September 2024.

The capital held for market risk before diversification within this category or within other risk categories is £1,622k. The main driver is interest rate risk.

Interest rate risk

Movements in interest rates can cause the value of the Company's investments to move adversely relative to its technical provisions which are discounted on the SII balance sheet. The undiversified risk capital for interest rate risk as at 30 September 2024 was £821k.

Credit spread risk

Credit spread is the difference in yield between two assets of similar maturity but different credit quality.

The Company is directly exposed to credit spread risk through its investments in fixed income assets – such as bonds. Credit spread risk is mitigated by managing the credit quality of the fixed interest portfolio by monitoring the credit ratings and large exposures in the portfolio. The undiversified credit spread risk as at 30 September 2024 was £261k.

C. Risk Profile

Equity risk

The equity risk exposure relates to the strategic equity holding of the Buddies Enterprises Limited subsidiary. The undiversified risk capital for equity risk as at 30 September 2024 was £183k.

Concentration risk

Concentration risk captures the risks associated with the accumulation of exposures to the same counterparty.

The concentration risk exposure predominantly relates to the strategic equity holding of the Buddies Enterprises Limited subsidiary, alongside a small amount of excess exposure above the threshold in relation to one investment counterparty. The concentration risk as at 30 September 2024 was £357k.

C.3 Credit risk

Counterparty default risk arises from its reinsurance counterparties and investment portfolio. The risk to the Company is that a counterparty defaults on its obligations or fails to meet them in a timely manner.

The Company has material concentration of credit risk with a fellow subsidiary of Allianz SE in respect of reinsurance and the investment in the Allianz SE cash pool. Each concentration is considered appropriate because of the financial strength of the counterparty.

The risk capital before diversification with other risk categories allocated to credit risk amounts to £2,403k.

C.4 Liquidity risk

Liquidity risk is the risk that requirements for current or future payment obligations cannot be met. Liquidity risk is not modelled within the Standard Formula SCR because capital is not an appropriate mitigant. Instead, the Company closely monitors liquidity risk on a quarterly basis through scenarios.

The Company has sufficient liquid assets to meet obligations as they fall due.

C.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, or from external factors other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The risk capital allocated to operational risk as at 30 September 2024 amounts to £1,084k.

The Company's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk.

The main operational risks identified are those related to Reserving, Finance Control, and Regulatory & Compliance; these are included on the top risk assessment reviewed by the Risk committee for the Board. The main concentration of operational risk relates to the provision of services by an intra-group third party company.

The key mitigants around operational risk are the development and maintenance of controls to address the risks, this is documented in a risk catalogue which is reviewed annually to ensure appropriate mitigation is in place for identified risks. First-line governance forums undertake monitoring of operational risks, including reviewing operational losses and key control failings on a quarterly basis.

Concentration of internal operational risks, in so far as it exists in relation to business continuity, compliance and outsourcing risks, is monitored and managed through second-line and first-line review and oversight. In addition, the Internal Audit function assesses the effectiveness of the internal control system through planned reviews of business activities.

C. Risk Profile

C.6 Other material risks

Strategic risk

Strategic risk is defined as negative effects on capital and earnings due to business policy decisions, changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the economic environment. Strategic risks are mitigated by the review of strategies and plans by the Combined Board and Allianz SE.

Reputational risk

Reputational risk is the risk of an unexpected negative change in the Company's value as a result of a decline in the reputation of the Company in the eyes of its customers, regulators or other stakeholders. The Company has limited tolerance for reputational risk and will seek to avoid and protect against all material reputational risk. Reputational risks are mitigated by the implementation of policies for external and internal communication and by active management of the relationships between the Company and its regulators. Reputational risks are regularly evaluated by the Risk function and the Corporate Communications team.

Conduct risk

Conduct risk is defined as the risk that inappropriate decisions, actions, and/or processes impact the ability to achieve good customer outcomes. Conduct risk considerations arise for all business activities and risk categories. Conduct risk is mitigated by internal processes and is reinforced by thorough training and communication programmes. It is evaluated and analysed by the first-line of defence with oversight from the Compliance department.

C.7 Any other Information

Risk sensitivity analysis

To adequately understand its risk exposures, the Company uses stress testing and sensitivity analysis for all material risks and events. These stresses are used to identify the most material impacts to the Company.

As at 30 September 2024, the Company's solvency ratio (that is, the percentage coverage of the SCR by Own Funds) was 735%. The table below shows the results of the sensitivity analysis for one-factor stresses, covering both market and non-market risks. The results include the impact on Own Funds and on the Company's solvency ratio.

The results represent the estimated direct quantitative impact of the stresses and do not consider future management actions that could potentially alleviate the situation. Examples of possible recovery options that the Company's management could decide to action following a stress include changing the investment portfolio to address market or credit risk, requesting capital from the Group, and changing reinsurance arrangements.

The results are reasonable given the strategy and business of the Company.

	Impact on Own Funds (£000)	Impact on SCR (£000)	Impact on Solvency ratio
Base	34,532	4,696	735%
Interest Rates: 100bps increase	(255)	(20)	(2%)
Credit Spreads: 100bps increase relative to swaps	(83)	1	(2%)
Reserves increase by 20%	(934)	244	(55%)

D. Valuation for Solvency Purposes

The scope of this section of the report is to represent the excess of assets over liabilities of the Company.

For SII valuation purposes, assets and other liabilities are valued consistently with UK GAAP provided that UK GAAP valuation methods are consistent with SII requirements. Assets and liabilities represent the fair value amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

The table below shows the UK GAAP Statement of Financial Position of the Company as at 30 September 2024 and the key reclassifications and valuation differences between that and the SII Balance Sheet.

Assets	UK GAAP Statement of Financial Position (£000)	Reclassifications (£000)	Valuation Difference (£000)	Solvency II Balance Sheet (£000)
Deferred tax assets	3,981	-	1,214	5,195
Holdings in related undertakings, including participations	-	-	833	833
Government Bonds	12,559	63	-	12,622
Corporate Bonds	9,325	275	-	9,600
Other loans and mortgages	12,579	41	-	12,620
Non-life excluding health	51,324	14,250	(2,902)	62,672
Insurance and intermediaries receivables	7,476	-	-	7,476
Reinsurance receivables	15,021	(15,021)	-	-
Receivables (trade, not insurance)	3,824	(380)	-	3,444
Cash and cash equivalents	454	-	-	454
Any other assets, not elsewhere shown	213	-	-	213
Total assets	116,756	(772)	(855)	115,129
Liabilities				
Best Estimate - non-life	65,540	260	1,744	67,544
Risk margin - non-life	-	-	243	243
Best Estimate - health	8	-	1	9
Provisions other than technical provisions	799	-	-	799
Deposits from reinsurers	3,647	(302)	(34)	3,311
Insurance & intermediaries payables	48	-	-	48
Reinsurance payables	4,749	(730)	-	4,019
Payables (trade, not insurance)	121	-	-	121
Any other liabilities, not elsewhere shown	12	-	-	12
Total liabilities	74,924	(772)	1,954	76,106
Excess of assets over liabilities	41,832	-	(2,809)	39,023

D. Valuation for Solvency Purposes

D.1 Assets

Participations

Participations are valued using the adjusted equity method, that is, at their UK GAAP Net Asset Value, adjusted for SII valuation differences. For non-insurance undertakings, the equity valuation method was used with a deduction for the value of goodwill or other intangible assets that would be valued at £nil.

Insurance and intermediaries receivables

Receivables have been reported in the SII balance sheet at the value included under UK GAAP accounts. This is deemed market consistent given that the receivables are due within 12 months and therefore the discounting effect of the time value of money is not deemed significant.

Loans

Accrued interest on loans is shown separately from the value of the investment under UK GAAP. As such a reclassification is required to align with the presentation under SII.

Investments

Where there are quoted prices in active markets for identical assets, these assets are classified as “Level 1”. Investments classified as Level 1 are reported in the SII balance sheet at the value included in the UK GAAP accounts.

Where there are inputs other than quoted prices that are observable either directly or indirectly these assets are classified as “Level 2”. According to Article 10 of the Delegated Regulation 2015/35, Level 2 investments are valued using quoted market prices in active markets for similar assets with adjustments to reflect factors specific to the asset, including the condition or location of the asset, the extent to which inputs relate to items that are comparable to the asset and the volume or level of activity in the markets within which the inputs are observed. The value used for the preparation of the UK GAAP accounts is considered a fair approximation of the market value according to SII rules, therefore no adjustment would be made to the value included in the UK GAAP financial statements. No such inputs are utilised in the current year.

Where inputs that are not based on observable market data are used, these assets are classified as “Level 3”. Investments classified as Level 3 are valued using an income approach for both UK GAAP and SII balance sheets. No such inputs are utilised in the current year.

The split of investment classifications is provided in the table below.

	Level 1 (£000)	Level 2 (£000)	Level 3 (£000)	Total (£000)
Debt securities	22,222	-	-	22,222
Total	22,222	-	-	22,222

Cash and Cash equivalents

For cash and cash equivalents there is no difference in valuation between the SII balance sheet and the UK GAAP financial statements.

For all classes of assets there have been no changes to the recognition or valuation basis in the year.

Assumptions and judgements that affect the reported amounts of assets are disclosed in the Company Annual Report and Financial Statements.

Deferred tax asset

Deferred taxes, except deferred tax assets arising from the carry forward of unused tax losses, are valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with the SII Directive, and the values ascribed to assets and liabilities as recognised and valued for tax purposes. The valuation

D. Valuation for Solvency Purposes

difference relating to deferred taxes mainly results from differences in technical provisions and reinsurance receivables for SII.

Temporary differences between the SII value of the assets and liabilities and their corresponding tax base as per UK GAAP are assessed, and any deferred tax asset or liability is adjusted or set up as required. The methods used to value deferred tax assets and/or liabilities under UK GAAP are disclosed in the Company Annual Report and Financial Statements.

The tax rates used in the calculation are the applicable UK tax rates. For losses this is a rate based on the applicable rate at the time the deferred tax items are expected to reverse. Deferred tax on all other items is calculated at the rate that was in force on the reporting date.

The SII to UK GAAP valuation differences, their applicable tax rate and the deferred tax impact are outlined below.

	Valuation differences before deferred tax (£000)	Tax rate applied (%)	Deferred tax impact (£000)	Net difference between UK GAAP and SII (£000)
Holdings in related undertakings, including participations	833	0%	-	833
Non-life excluding health	(2,902)	25%	726	(2,176)
Best Estimate - non-life	(1,744)	25%	436	(1,308)
Risk margin - non-life	(243)	25%	61	(182)
Best Estimate - Health	(1)	25%	-	(1)
Deposits from reinsurers	34	25%	(9)	25

Any other assets, not elsewhere shown

Accrued interest on bonds is shown separately from the value of the investment under UK GAAP. As such a reclassification is required to align with the presentation under SII.

D. Valuation for Solvency Purposes

D.2 Technical Provisions

The table below shows the technical provisions both gross and net of reinsurance by Solvency II line of business.

SII Line of business	Gross (£000)				Net (£000)			
	Claims Provision	Premium Provision	Risk Margin	SII Technical Provision	Claims Provision	Premium Provision	Risk Margin	SII Technical Provision
Fire and other damage to property insurance	60,743	-	148	60,891	3,080	-	148	3,228
General liability insurance	6,562	-	88	6,650	1,671	-	88	1,759
Income protection	8	-	-	8	5	-	-	5
Misc financial loss	240	-	7	247	125	-	7	132
Total	67,553	-	243	67,796	4,881	-	243	5,124

Technical provisions are calculated in respect of all insurance obligations to policyholders.

The value of the technical provisions corresponds to the current amount required to transfer insurance obligations immediately to another insurance entity.

The technical provisions consist of the claims provision, premium provision and risk margin and these elements are calculated separately. Each element is calculated by line of business, both gross of reinsurance and for associated reinsurance recoveries. For each line of business, the approach taken is the same and the methods and assumptions used for each line of business are based on the actual exposure and experience of that line of business.

Methods and main assumptions

The calculation of the technical provisions is based on up-to-date and credible information and realistic assumptions and is performed using actuarial and statistical methods relevant to the line of business.

The most material assumptions that have an impact on provisions:

- For Household business, if recent data is volatile or lacks credibility, then prior loss ratio can be used and the weightings given to each method used will be based on an appropriate measure and from past claims data, mix of liability to non-liability claims, development ratios for current incurred claims to an ultimate position based on past claims.
- Post-projection adjustments for subsidence and large claims are made where the reserve for a given accident period resulting from the claims projection is considered to be insufficient for the expected future claims cost for that accident period.
- The remaining claims liabilities for other lines of business, including Pet, Accident, Sickness, Unemployment, legal expenses and business written by certain managing general agents are relatively small and it is assumed that best estimate can be based on outstanding claims.

There is no written but not incepted business as the Company ceased underwriting business from 1 April 2023 having migrated Household business to LVIC and Highway Insurance Company Limited and Pet business to AZI in 2022.

Assumptions are subject to a regular review cycle with the period between reviews chosen to reflect the materiality of the assumption.

D. Valuation for Solvency Purposes

Claims provision

The claims provision is based on the undiscounted UK GAAP claims reserves, with the addition of an allowance for future claims handling. A payment pattern derived from historical data for each line of business is applied to each element of the claims provision to obtain future cash flows. These future cash flows are discounted to reflect the time value of money, in line with SII requirements.

Premium provision

There is no longer any unearned premium for any of the Company's business since 31 March 2024. Therefore, there are no claims associated with unearned business and the premium provision is £nil.

Risk Margin

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the insurance obligations over their lifetime.

Our approach to estimating future SCRs is based on the current SCR as a proportion of best estimate provisions, adjusted to reflect the increased levels of risk inherent in the claims reserves over time.

This approach is based on the following assumptions:

- The non-hedgeable SCR in each future year of run-off is calculated over the full run-off of the technical provisions assuming no new business is written
- This is discounted using the relevant PRA risk-free interest rate term structure

The run-off SCR for each individual risk is modelled and the correlation matrices defined in the Standard Formula are used to allow for diversification to calculate an overall run-off SCR for the Company.

The cost of capital rate used in the calculation of the risk margin is set by the PRA. Reforms introduced in December 2023 resulted in a reduction in the cost of capital rate used in the calculation of the risk margin from 6% to 4% by the PRA as part of the Solvency UK framework.

Uncertainty

The SII basis has inherent uncertainty around the discount benefit arising from future movements in the yield curve and payment patterns. Other than discounting, the assumptions that have the greatest effect on the movement of provisions are those that affect the expected level of claims. Uncertainty around the level of claims can arise from a number of sources, including, but not limited to:

- Claim patterns being different from those expected.
- Surge weather events that result in an increased re-opening rate of past claims, for example, subsidence claims.
- Claims settlement amounts being different in aggregate to that expected, for example, as a result of higher levels of inflation.
- Propensity for policyholders to claim and general policyholder behaviour.
- Reinsurance recoveries being different to the levels expected.
- Claim handling costs being different from those expected.

The calculation of the technical provisions requires a number of assumptions in addition to those supporting UK GAAP calculations. Key additional assumptions include:

- Deteriorations in prior year claims, for example due to the re-opening of past claims or higher levels of inflation
- Future expense assumptions are required for claims management expenses, future policy administrative expenses and future reinsurance costs (net of future recoveries) and levies
- Future cash-flow assumptions are used for the discounting calculation

Sensitivity analysis has been conducted to understand how the technical provisions react to changes in key assumptions. The results are shown below:

D. Valuation for Solvency Purposes

Sensitivity	Change* in net technical provisions (£000)	% Change in net technical provisions
Increase in main book reserves by 5%	365	7%
Increase in overhead expenses by 5%	205	4%
Increase risk yield by 1%	44	1%
Decrease risk yield by 1%	(41)	(1%)

*Note that a positive number represents an increase in net technical provisions and a negative number represents a decrease.

Overall, increases in the reserves or expenses will have an impact to the net technical provisions. Such increases may realise due to inflationary pressure which continues to be one of the most significant area of uncertainty within the reserves, in particular on long-tailed claims, like subsidence, which are more sensitive to it. Movements in the risk yield curve will have a negligible impact on the technical provisions, given the overall short tailed nature of the majority of the book.

Events Not In Data (“ENID”)

A separate reserve is held for ENID. This has been set equal to the additional management provision held for statutory accounting purposes, on a gross and reinsurance basis.

Matching and volatility adjustments

No matching adjustment or volatility adjustment is applied to the risk-free yield curve used to discount the technical provisions.

Reinsurance recoverables

Reinsurance recoverables are calculated separately for the claims provision and premium provision. The following cash flows are taken into account:

Cash inflows:

- Recoverables from reinsurance contracts for claims payments and related expenses

Cash outflows:

- Future premiums for reinsurance contracts
- Counterparty default adjustment

The Company's reinsurance arrangements consist of the following:

- A 50% quota share agreement to cover all business, which acts after the other reinsurance arrangements
- A 100% quota share agreement to cover specified MGA business from 31 December 2019
- A catastrophe treaty
- An adverse development cover treaty, providing protection against deterioration of the reserves held at 31 December 2018, up to a cap of £15,200k (which is now fully exhausted)
- Flood Re cover (which is a rolling treaty covering individual risks on an excess of loss basis)
- A liability treaty for individual large liability claims (effective until 30 June 2021)
- A 100% quota share agreement with DAS to cover legal expenses for policies inception after 26 April 2018
- Pool Re to cover terrorism

Reinsurance future premiums are included within the technical provisions based on the payment terms of the individual reinsurance contracts. In respect of the Whole Account Quota Share contract with Az RE, the assumed management action continues to be that this cover remains in place throughout the run-off of the liabilities. Allowance is made for the expected future cash flows arising from this arrangement.

The reinsurance recoverable asset is unadjusted for the best estimate probability of reinsurer default as this has been estimated and judged to be immaterial. Also, there is no counterparty default adjustment required in respect of the Whole Account contracts, since these are on a funds withheld basis for contracts entered into after 1 January 2022.

D. Valuation for Solvency Purposes

UK GAAP to Solvency II Technical Provisions

The following table shows a breakdown of the differences between Solvency II and UK GAAP technical provisions by Solvency II line of business.

The first column shows the UK GAAP technical provisions net of reinsurance. The final column shows the Solvency II net technical provisions including the risk margin.

SII Line of business	UK GAAP technical provisions (£000)	SII technical provisions (£000)	UK GAAP valuation differences (£000)
Fire and other damage to property	11,814	3,228	8,586
General liability insurance	2,286	1,759	527
Income protection	4	5	(1)
Misc financial loss	120	132	(12)
Total	14,224	5,124	9,100

Material differences in the relevant assumptions made in the calculation of the Solvency II technical provisions compared to the UK GAAP reserves:

- The UK GAAP reserves do not include the Reinsurance Debtor amount for the MGA Quota share contract, which is agreed and payable with a one quarter lag. However, this is a cash flow and hence is part of the SII technical provisions.
- Otherwise, the differences in valuation between the UK GAAP and SII technical provisions include:
 - UK GAAP reserves held on the balance sheet are undiscounted. The Solvency II Best Estimate Liability ("BEL") is instead discounted based on the latest PRA risk-free curve.
 - UK GAAP includes an additional management provision ("AMP"). In the Solvency II BEL, this is removed to ensure the reserves are on a best estimate basis and the AMP value is instead used as the ENID provision.
 - UK GAAP does not include the expenses and levies cash flows. In the Solvency II BEL, these are included.
 - Under the UK GAAP, there is no comparable figure to the Risk Margin, which is included in the Solvency II BEL.

The table below shows the change in the technical provisions from September 2023 to September 2024, both gross and net of reinsurance.

	Gross (£000)			Net (£000)		
	2024	2023	Change	2024	2023	Change
Claims Provision	67,553	125,446	(57,893)	4,881	14,643	(9,762)
Premium Provision	-	15,085	(15,085)	-	9,936	(9,936)
Best Estimate	67,553	140,531	(72,978)	4,881	24,579	(19,698)
Risk Margin	243	1,133	(890)	243	1,133	(890)
SII Technical Provisions	67,796	141,664	(73,868)	5,124	25,712	(20,588)

Overall, the net technical provisions have decreased by £20,588k over the year.

The net claims provision decreased by £9,762k over the year due to:

- A decrease in the volume of reserves due to the reduction in exposure as all business is now in run-off
- A decrease in yields, decreased the level of discount benefit

There was also a £9,936k decrease in the net premium provision over the year, reducing the value to £nil as the Company is no longer writing business.

D. Valuation for Solvency Purposes

The risk margin has decreased by £890k in the year. This is due to a decrease in underlying reserves, as the business is running off and by a decrease in yields. Furthermore, the risk margin has decreased due to the reduction in cost of capital from 6% to 4% dictated by the PRA as part of the Solvency UK framework.

Simplifications

The calculation of the technical provisions is carried out using materially appropriate, complete and correct data and using valuation methods which are appropriate to the nature and complexity of the insurance technical risks. The limitations of the calculation methodology are identified and understood. Selection of the appropriate method is based on expert judgement, considering the quality, quantity and reliability of the available data and analysis of all important characteristics of the business. The assumptions and parameters used in each method are clear and explicitly identified. The key drivers and uncertainties associated with the best estimate are explored and described.

D.3 Other liabilities

Differences between the UK GAAP and Solvency II balance sheet relating to the valuations of deposits from reinsurers and other liabilities arise from the reclassification of interest on funds withheld under the quota share contract from other liabilities and reinsurance recoverables from non-life and health similar to non-life to deposits from reinsurers. Reinsurance payables are also reclassified to technical provisions. The difference in the deposits due from reinsurers relates to differing discount rates and additional ceded investment income.

For all other classes of liability there is no difference between the UK GAAP valuation and the Solvency II balance sheet valuation. Full details on valuation methodologies can be found in the FIL Annual Report and Financial Statements.

D.4 Alternative methods for valuation

There is no other material information on alternative methods for the valuation of assets or liabilities given all inputs are level 1.

D.5 Any other information

There is no other information on the valuation of assets or liabilities.

E. Capital Management

E.1 Own Funds

Capital is a resource that supports the risk bearing capacity of the Company, forming a foundation for the Company's viability and the trust of its customers.

The Company maintains a formal capital management policy, and capital management planning is embedded within the main planning process, with a time horizon of three years.

A core element of the approach to capital management is the approval by the Board of any dividends or requests for additional capital. This approval is subject to maintaining an adequate margin over the SCR.

The current liquidity plan and solvency projections reflect all planned changes in Own Funds for the next three years.

There were no material changes over the reporting period with regards to objectives, policies and processes employed by the Company for managing its Own Funds.

The table below shows the breakdown of the Own Funds by tier, and the SCR coverage.

	2024 (£000)	2023 (£000)	Movement (£000)
Ordinary shares	37,000	37,000	-
Reconciliation reserve	(3,172)	(3,854)	682
Total tier 1	33,828	33,146	682
Net deferred tax assets	5,195	7,300	(2,105)
Total tier 3	5,195	7,300	(2,105)
Total eligible own funds to meet SCR	34,532	34,857	(325)
SCR	4,696	11,407	(6,711)
SCR coverage ratio	735%	306%	430%
Total eligible own funds to meet the MCR	33,828	33,146	682
MCR	3,495	3,445	50
MCR coverage ratio	968%	962%	6%

Only tier 1 and tier 2 Own Funds are eligible to meet the MCR so tier 3 Own Funds have been excluded from the MCR coverage ratio. No Own Fund items for the Company are subject to transitional measures for their inclusion in tier 1. There is a restriction of 15% of the SCR applied to the tier 3 capital to reduce the available Own funds to meet the SCR to the eligible Own funds to meet the SCR. There is also a restriction of 20% of the MCR applied to the tier 2 capital to reduce the available Own funds to meet the MCR to the eligible Own funds to meet the MCR. No matching adjustment portfolio exists. The Company has no ancillary Own Fund items. The reconciliation reserve is made up of retained earnings and reconciliation adjustments from UK GAAP to Solvency II balance sheet only.

The sensitivity of the Own Funds to both market and non-market risks is provided in the table in section C.7. The changes in Own Funds over the reporting period are provided in the table below.

E. Capital Management

	£000
(Loss) after tax earned by the company in the year	(6,972)
Net unrealised gains (gross of tax) on the investment portfolio	4,166
Movement in technical provisions	(5,473)
Deferred tax and other	6,856
Total movement over the year	(1,423)

As at 30 September 2024 there is no difference between the excess of assets over liabilities and Own funds.

Reconciliation between UK GAAP and Solvency II excess of assets over liabilities

The Solvency II excess of assets over liabilities amounts to £39,023k, whereas the UK GAAP excess of assets over liabilities amounts to £41,832k. The difference of £2,809k is largely attributable to key drivers, previously analysed in section D and summarised in the table below.

	£000
UK GAAP excess of assets over liabilities	41,832
Differences in recognition and valuation of technical provisions and reinsurance recoverables (Including associated receivable/payable)	(4,856)
Inclusion of participations at Solvency II value	833
Deferred taxes on the above mentioned balance sheet valuation differences	1,214
Solvency II excess of assets over liabilities	39,023

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR at 30 September 2024 amounts to £4,696k and the MCR amounts to £3,495k.

The Company uses a Standard Formula basis to calculate the SCR. The approach to calculating the SCR and MCR is in accordance with the Solvency II Directive. The Company is not using any simplifications or undertaking specific parameters in the calculation of the SCR and does not have any regulatory capital add-ons.

A split of the SCR by the risk modules and sub-modules modelled by the standard formula model is shown in the following table. The comparative figures for 2023 and the movement over the reporting period are also shown.

E. Capital Management

Category of risk	Capital (£000)		
	2024	2023	Movement
Non-life underwriting risk	1,237	4,857	(3,620)
Premium and reserve risk	1,237	4,857	(3,620)
Market risk	1,622	4,398	(2,776)
Equity risk	183	115	68
Interest rate risk	821	2,487	(1,666)
Spread risk	261	1,634	(1,373)
Concentration risk	357	162	195
Counterparty default risk	2,403	3,662	(1,259)
Health underwriting risk	1	38	(37)
Operational risk	1,084	2,632	(1,548)
Sum of standalone risks	6,347	15,587	(9,240)
Diversification benefit	(1,651)	(4,180)	2,529
SCR	4,696	11,407	(6,711)

The total diversified SCR for the Company decreased by £6,711k over the year from £11,407k to £4,696k. The movement is predominantly driven by the reductions in exposure as the business continues to run-off following the migration of policies over the last two years. As the outstanding claims are settled and investments either mature or are liquidated, the exposure to each risk progressively diminishes.

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

The Company has not applied the duration-based equity risk sub-module in the calculation of the SCR.

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

This does not apply as the Company does not use an Internal Model to calculate its SCR.

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

The Company has complied continuously with the MCR and the SCR.

E.6 Any other material information

In view of the Solvency II solvency ratio of 735% as at 30 September 2024 and the stress tests performed, the Company does not expect any breach of its SCR and anticipates that it will remain suitably capitalised going forward.

Statement of Directors' Responsibilities

Financial year ended 30 September 2024

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer 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 the insurer has continued so to comply subsequently and will continue so to comply in future.

The SFCR was approved by the Board of Directors on 16 December 2024 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'U Lange', is positioned above the printed name.

U Lange

Director

Fairmead Insurance Limited

18 December 2024

Balance sheet

Entity: FIL - Fairmead Insurance Limited
Scenario: 2024SOL2FIL
Period: Annual
Currency: GBP - Great British Pounds
EIOPA QRT: S.02.01

Balance Sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	5,195
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
contracts	R0070	23,056
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	834
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	22,222
Government Bonds	R0140	12,623
Corporate Bonds	R0150	9,599
Structured notes	R0160	
Collateralised securities	R0170	
Derivatives	R0180	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	12,620
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	12,620
Reinsurance recoverables from:	R0270	62,672
Non-life and health similar to non-life	R0280	62,672
Non-life excluding health	R0290	62,668
Health similar to non-life	R0300	4
unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	7,476
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	3,444
Own shares (held directly)	R0390	
paid in	R0400	
Cash and cash equivalents	R0410	454
Any other assets, not elsewhere shown	R0420	211
Total assets	R0500	115,129
Liabilities		
Technical provisions - non-life	R0510	67,796
Technical provisions - non-life (excluding health)	R0520	67,788
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	67,545
Risk margin	R0550	243
Technical provisions - health (similar to non-life)	R0560	9
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	8
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	799
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	3,311
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	48
Reinsurance payables	R0830	4,019
Payables (trade, not insurance)	R0840	121
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	12
Total liabilities	R0900	76,106
Excess of assets over liabilities	R1000	39,022

Premiums, claims and expenses by line of business

Entity: FSL - Fairmead Insurance Limited
Scenario: 2024 Solvency II Fairmead
Period: Annual
Calculation: Solvency II: Statutory Account
Currency: GBP - Great British Pounds
EOPN GMT: 5:05:01

Premiums, claims and expenses by line of business

		Line of Business for non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for accepted non-proportional reinsurance					Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Harms, relation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expense insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property		CO200
		CO010	CO020	CO030	CO040	CO050	CO060	CO070	CO080	CO090	CO100	CO110	CO120	CO130	CO140	CO150	CO160		CO200
Reinsurers written																			
Gross, direct Reinsurers	RR100							36	28										64
Gross, Reinsurers' cessions accepted	RR101																		0
Gross, Non-accepted Reinsurers' cessions	RR102																		0
Reinsurers share	RR100																		64
Net	RR200							36	28										92
Reinsurers written																			
Gross, direct Reinsurers	RR201							127.05	60										187.05
Gross, Reinsurers' cessions accepted	RR202																		0
Gross, Non-accepted Reinsurers' cessions	RR203																		0
Reinsurers share	RR200																		187.05
Net	RR300							127.05	60										187.05
Claims received																			
Gross, direct Reinsurers	RR301			12				16.06	60										16.06
Gross, Reinsurers' cessions accepted	RR302																		0
Gross, Non-accepted Reinsurers' cessions	RR303																		0
Reinsurers share	RR300																		16.06
Net	RR400			12				16.06	60										76.12
Changes in other technical provisions																			
Gross, direct Reinsurers	RR401							1.10											-1.10
Gross, Reinsurers' cessions accepted	RR402																		0
Gross, Non-accepted Reinsurers' cessions	RR403																		0
Reinsurers share	RR400																		-1.10
Net	RR500							1.10											-1.10
Expenses incurred	RR500		97					2,573	64										3,777
Other expenses	RI100																		0
Total expenses	RI300																		3,777

		Line of Business for life insurance obligations					Life insurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Amendments stemming from non-life insurance contracts and relating to health insurance obligations	Amendments stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance
		CO210	CO220	CO230	CO240	CO250	CO260	CO270	CO300
Reinsurers written									
Gross	RI101								0
Reinsurers share	RI100								0
Net	RI100								0
Reinsurers written									
Gross	RI101								0
Reinsurers share	RI100								0
Net	RI100								0
Claims received									
Gross	RI101								0
Reinsurers share	RI100								0
Net	RI100								0
Changes in other technical provisions									
Gross	RI101								0
Reinsurers share	RI100								0
Net	RI100								0
Expenses incurred	RI100								0
Other expenses	RI100								0
Total expenses	RI100								0

Non - life Technical Provisions

Entity: FIL - Fairmead Insurance Limited
Scenario: 2024 Solvency II Fairmead
Period: Annual
Category: Default Original Amount
Currency: GBP - Great British Pounds
EIOPA ORT: 5.17.01

Non - life Technical Provisions

		Direct business and accepted proportional reinsurance													Accepted non-proportional reinsurance (L)				Total Non-Life obligations
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
Technical provisions calculated as a whole	R0010																		0
Total Recoverable from reinsurers/SPV and FinRe after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050																		0
Technical Provisions calculated as a sum of BE and RM																			0
Best estimate																			0
Premium provisions																			0
Gross	R0060																		0
100% recoverable from reinsurers/SPV and FinRe (a)																			0
The adjustment for expected losses due to counterparty default - estimate of claims provisions	R0140																		0
Gross	R0150																		0
100% recoverable from reinsurers/SPV and FinRe (a)																			0
The adjustment for expected losses due to counterparty default - estimate of claims provisions	R0160			8				69,743	6,562					247					67,553
Gross	R0170							57,653	5,495					155					63,827
100% recoverable from reinsurers/SPV and FinRe (a)								5,090	1,067					132					6,481
Total best estimate - gross	R0260			8				69,743	6,562					247					67,553
Recoverable from reinsurers/SPV and FinRe (a)	R0270			4				5,090	1,067					132					6,481
Risk margin	R0280			0				3,400	0					5					3,405
Amount of the transitional on Technical Provisions																			0
Technical Provisions calculated as a whole	R0300																		0
Best estimate	R0310																		0
Recoverable from reinsurers/SPV and FinRe (a)	R0320																		0
Technical provisions - total																			0
Technical provisions - total	R0320			9				69,890	6,650					247					67,796
Recoverable from reinsurers/SPV and FinRe (a) after the adjustment for expected losses due to counterparty default - total	R0330			4				57,663	4,895					155					62,827
Technical provisions minus recoverable from reinsurers/SPV and FinRe - total	R0340			5				3,228	1,755					132					5,124

Non-life Insurance Claims Information

Entity: FIL - Fairmead Insurance Limited
Scenario: 2024 Solvency II Fairmead
Period: Annual
Currency: GBP - Great British Pounds
Category: Default Original Amount
1 - Accident year
EIOPA QRT: S.19.01

Non-life Insurance Claims Information

Development year													In Current year	Sum of years (cumulative)
0	1	2	3	4	5	6	7	8	9	10 & +				
Gross Claims Paid (non-cumulative)														
		R0100	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	
Prior														
2015		R0160	86,202	60,094	5,453	5,460	602	723	754	733	000	633		866
2016		R0170	83,024	51,565	5,455	2,294	629	1,699	2,256	1,397	06			
2017		R0180	95,636	94,394	7,584	3,352	1,860	2,815	799	765				
2018		R0190	113,236	8,360	17,054	3,531	5,175	1,625	3,514					
2019		R0200	119,231	84,467	25,053	4,261	5,661	3,844						
2020		R0210	124,099	82,475	6,754	9,681	7,311							
2021		R0220	81,145	69,576	24,072	11,091								
2022		R0230	32,244	46,613	11,609									
2023		R0240	59,037	34,061										
2024		R0250	6,827											
Total													86,738	2,362,398

Development year												Year end (discounted data)	
0	1	2	3	4	5	6	7	8	9	10 & +			
Gross undiscounted Best Estimate Claims Provisions													
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	
Prior	R0100												R0100
2015	R0160	62,055	9,794	3,515	2,180	2,676	2,235	891	589	589	599		R0160
2016	R0170	70,145	11,072	5,262	3,515	3,081	1,295	2,003	7	2			R0170
2017	R0180	70,145	11,072	5,262	2,862	2,462	24	767	707				R0180
2018	R0190	103,081	25,486	6,721	5,162	6,626	5,091						R0190
2019	R0200	99,017	26,462	10,286	8,665	6,466							R0200
2020	R0210	118,093	25,467	16,961	10,013	7,561							R0210
2021	R0220	65,046	31,265	26,713	9,691								R0220
2022	R0230	75,244	21,965	11,141									R0230
2023	R0240	59,037	15,100										R0240
2024	R0250	11,254											R0250
Total												63,188	

Entity: FIL - Fairmead Insurance Limited
Scenario: 2024 Solvency II Fairmead
Period: Annual
Currency: GBP - Great British Pounds
Category: Default Original Amount
2 - Underwriting year
EIOPA QRT: S.19.01

[illegible][illegible]

Own funds

Entity: FIL - Fairmead Insurance Limited
Scenario: 2024 Solvency II Fairmead
Period: Annual
Category: Default Original Amount
Currency: GBP - Great British Pounds
EIOPA QRT: S.23.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010					
Share premium account related to ordinary share capital	R0030	37,008	37,008			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-3,172	-3,172			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	5,195				5,195
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	39,022	33,828			5,195
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	39,022	33,828			5,195
Total available own funds to meet the MCR	R0510	33,828	33,828			
Total eligible own funds to meet the SCR	R0540	34,532	33,828			704
Total eligible own funds to meet the MCR	R0550	33,828	33,828			
SCR	R0580	4,698				
MCR	R0600	3,495				
Ratio of Eligible own funds to SCR	R0620	735.33%				
Ratio of Eligible own funds to MCR	R0640	967.98%				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	39,022				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	42,195				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Reconciliation reserve	R0760	-3,172				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life Business	R0770					
Expected profits included in future premiums (EPIFP) - Non- life business	R0780					
Total Expected profits included in future premiums (EPIFP)	R0790					

Solvency Capital Requirement - for undertakings on Standard Formula

Entity: FIL - Fairmead Insurance Limited
Scenario: 2024 Solvency II Fairmead
Period: Annual
Category: Solvency II: Solo Purpose
Currency: GBP - Great British Pounds
EIOPA QRT: S.25.01

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP
		C0110	C0090
Market risk	R0010	987	
Counterparty default risk	R0020	2,403	
Life underwriting risk	R0030		
Health underwriting risk	R0040	2	
Non-life underwriting risk	R0050	1,237	
Diversification	R0060	-1,016	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	3,612	

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	1,084
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	4,696
Capital add-on already set	R0210	
Solvency capital requirement	R0220	4,696
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF NSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes / No
		C0109
Approach based on average tax rate	R0590	It used (in this case R0600 to R0690 are not ap

Calculation of loss absorbing capacity of deferred taxes

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

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

Entity: FIL - Fairmead Insurance Limited
Scenario: 2024 Solvency II Fairmead
Period: Annual
Category: Solvency II: Solo Purpose
Currency: GBP - Great British Pounds
EIOPA QRT: S.28.01

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

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	4	
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	3,080	
General liability insurance and proportional reinsurance	R0090	1,671	0
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	125	
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

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

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	486	
MCRRL Result	R0200		

Overall MCR calculation	
Linear MCR	R0300
SCR	R0310
MCR cap	R0320
MCR floor	R0330
Combined MCR	R0340
Absolute floor of the MCR	R0350
Minimum Capital Requirement	R0400

C0070
486
4,696
2,113
1,174
1,174
3,495
C0070
3,495