PAYCARE

Company number 00820791

Registered office address

Paycare House, George Street, Wolverhampton, West Midlands, WV2 4DX

Year Ending 31 December 2022

SOLVENCY AND FINANCIAL CONDITION REPORT

DEFINITIONS

SII	Solvency II
the reporting date	31 December 2022
the reporting period	Year to 31 December 2022
the Company	Paycare
SFCR	Solvency and Financial Condition Report
ORSA	Own Risk and Solvency Assessment
SCR	Solvency Capital Requirement
MCR	Minimum Capital Requirement
UK GAAP	United Kingdom Generally Accepted Accounting Principles
RLAM	Royal London Asset Management
JPM	JP Morgan
LBPB	Lloyds Bank Private Banking
AFM	Association of Financial Mutuals
IPT	Insurance Premium Tax
CSR	Corporate Social Responsibility
ICG	Internal Capital Guidance
NBV	Net Book Value
GDPR	General Data Protection Regulation

CONTENTS

1. Executive Summary

This is the seventh SFCR of the company based on financial position as at 31st December 2022.

This SFCR report is a requirement of the SII Directive. It summarises the historical performance, the SII valuation and solvency position of the company together with the specific risks faced and how they are managed.

"Our vision is nothing less than realizing the full potential of our people, delivering outstanding customer outcomes and making everyday healthcare accessible to all"

To ensure that we achieve our vision the business focus is split into four streams.

Customers

Paycare exists for the benefit of our Customers. It is the reason for our existence. We will always put them at the heart of everything we do.

We are here for our policyholders and will ensure that they get value and benefit from their policy with us. We not only look to meet our customer's expectation but to exceed them and actively encourage our policyholders to be proactive in the management of their everyday healthcare by producing content that helps our customers strive for this goal. We will also look to recognise trends in the NHS and develop our products accordingly for the benefit of our policyholders.

We welcome and embrace feedback from our policyholders in order to continue to improve as a business. The FCA Principles for Businesses (6) states "A *firm* must pay due regard to the interests of its *customers* and treat them fairly". This principle is fully embedded in the company. Following the publication of the FCA final rules for a new Consumer Duty in July 2022, Paycare has a detailed implementation plan which it will deliver by July 2023. We're passionate about delivering excellent outcomes to our policyholders, whilst identifying and providing for the needs of vulnerable customer groups.

The FCA Principles for Businesses (1) states "A *firm* must conduct its business with integrity". The Paycare brand is a trusted one, we will ensure this is protected and look to enhance the value of this trust to existing and future customers, ensuring our products are fit for purpose, deliver value and meet the needs of our customers.

People

Our people ARE our most important asset. We believe and embrace that always. We will strive to nurture, challenge and show respect for them

We believe that it is essential for excellent performance that our employees are rested and energised when they come to work. We believe that a life outside of work is vital to achieving this and always strive to get that balance right. We continue to embed mindfulness in the workplace practice, acknowledging that this is not for everyone and accepting nonparticipation. We trust our people to make the right decisions and support them when they don't. Our culture is one of non-blame, non-judgemental and inclusive.

Succession planning is vital to the long-term success and sustainability of any business. Our aim is to support the evolution of Paycare, ensuring a diverse workforce and the continual development of our team. Meeting the expectations and aspirations of our people ensures that we meet the needs of our customers.

Technology

Technology will drive efficiencies in the business and deliver a better customer experience

We strive for operational excellence and resilience, embracing new technologies to deliver value to our policyholders whilst maintaining the service levels they expect. The company is continuing its investment in designing, developing, and delivering a new IT system to replace the current system moving all infrastructure and services from the current co-located data centre set up to off-premises cloud solutions. Our customers' expectations of digital service will continue to grow. We also see opportunities to drive operational efficiencies through the use of technology, alongside further development of our Cyber Risk controls.

Communities

We don't just talk about Corporate Social Responsibility, we embrace it and demonstrate our commitment to it.

The company is a really respected part of our community and we pride ourselves on what we can give back to that community. It is therefore essential that we have a sustainable business model that takes us into our next 148 years, by doing so we shall be able to fulfil our desire to continue giving back to our community.

2. Business and Performance

2.1 The Business

Paycare is a company limited by guarantee. Our company number is 00820791

The company is a category 4 firm and therefore has no named supervisor and is managed through the smaller insurer regime. The company is approved and authorised by the PRA and regulated by the PRA and the FCA.

The Company was founded in 1874 and is a provider of healthcare cash plans throughout the UK.

2.2 Business Performance

We continue to operate in a period of unprecedented economic and regulatory uncertainty. Inflationary pressures are pushing up the costs of both claims and expenses. However, we remain committed to the path of long-term sustainability whilst keeping our Policyholders at the heart of everything we do.

2022 Summary

2022 was a very challenging period for the business but we came out of with many achievements; successful implementation of the majority of our succession plan; implementation of the new CRM(Customer Relationship Management) system; onboarding of new auditors; Policyholder growth, to name just a few.

Key points to note:

• The financial out-turn at an Operating level was £238k favourable to budget.

• The net deficit for 2022 was significantly impacted by the performance of our investments, which decreased by £470k. We have seen a slight reversing of this position in early 2023 but there remains significant volatility in markets at this time.

Strategy for 2023 to 2025

Our strategy for this period set against the backdrop of these events will continue to take a prudent approach to Policyholder growth. However, we do see continued Policyholder growth and have forecast an increase in Policyholders for each of the budget periods.

The impact of COVID resulted in a decrease in Policyholder numbers in 2020 and 2021. During 2022 we saw Policyholder numbers return to pre pandemic levels.

We continue to believe that the forward trend in the marketplace will be to see an increase in our Company paid policies and decreases in individual policies. This reflects the trend in our industry and has been the basis for our forward planning. The consequence of this movement is a reduction in the average premium income we receive per policyholder.

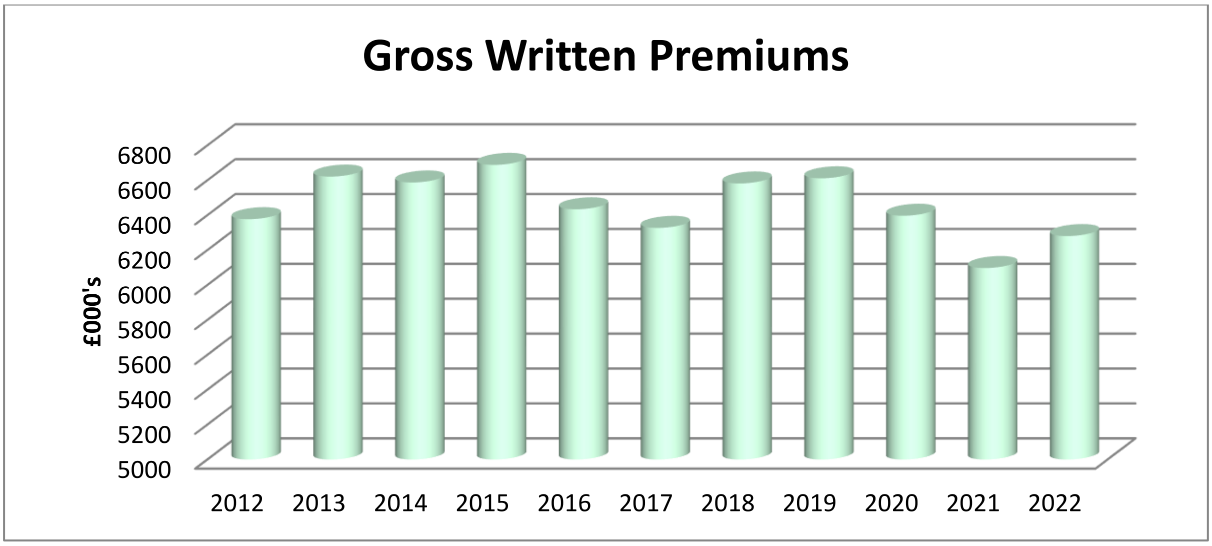
We continue to lobby regulators and government through our trade association The Association of Financial Mutuals to highlight the consequences of what the impacts will be if they continue to see the raising of IPT as an easy target for revenue collection. We have seen no further increase in the IPT rate for 5 years now, but remain vigilant over the impact to our policyholders in the event of an increase.

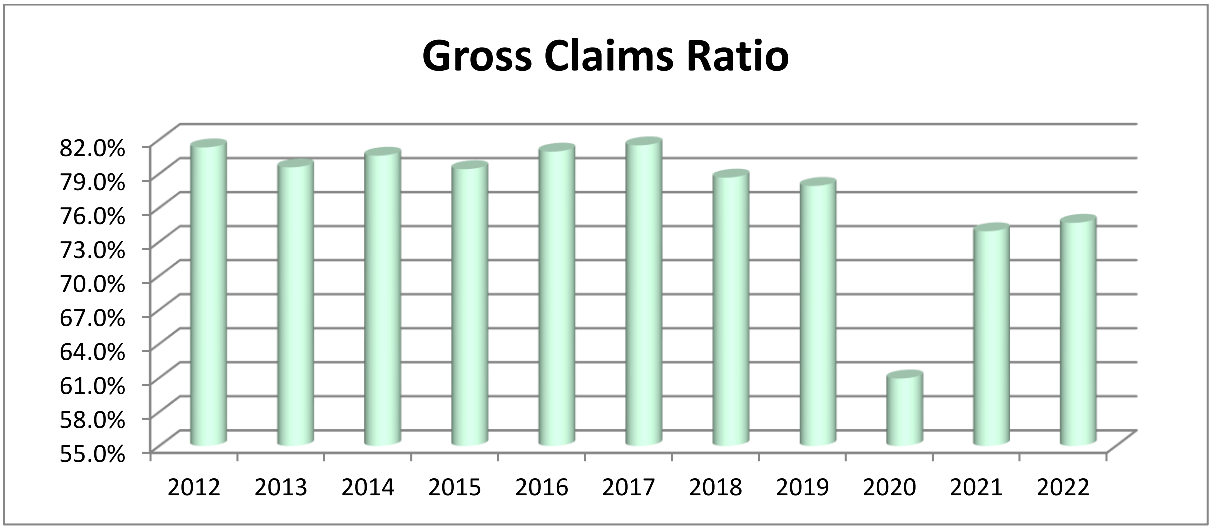
Claims ratio can be an unpredictable area to control and even more so in these periods of uncertainty and high inflation, we monitor adverse effects by utilising various monitoring methods. Our policies are monthly renewable and can be amended by giving one months' notice to policyholders. At all stages of our decision making process, we align to our core values.

During the year the total income, was £6,280k (2021 - £6,097k) an increase of 3.0% over the preceding year (2021 -4.7% decrease).

As a not-for-profit organisation our purpose is to give the best possible value and service to our policy holders .During the year the paid benefits to 70,554 claimants (2021 –65,489) amounted to £4,689k (2021 - £4,508k) an increase of 4.0% from the preceding year (2021 – 15.6% increase). As a percentage of premium income, the value of claims paid was 74.7% (2021 – 73.9%).

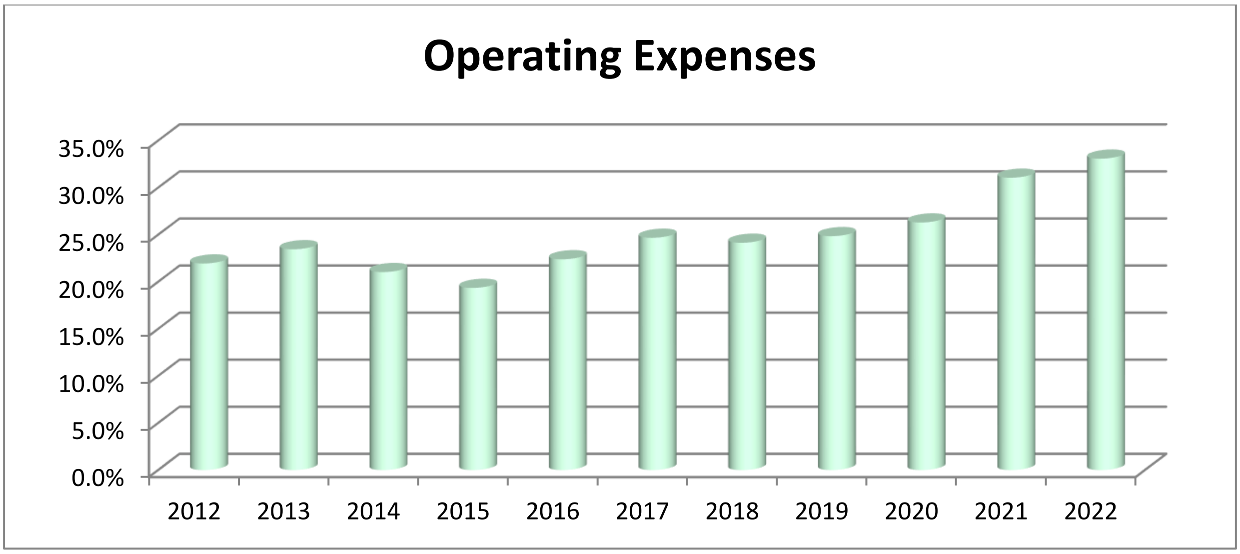
The company does not have any reinsurance.





Whilst the actual claim rate (75.2%) for 2022 was considerably lower than originally budgeted, (77.7%), this was due to us releasing the £53k covid claims provision. The claims rate excluding this reserve movement was 76.1%. Due to the unpredictable and turbulent external environment, and the difficulties experienced in relying on traditional forecasting methods, we have taken the prudent approach to increase the forecasted claims rate for 2023. This is based on the actual claims rate and policyholder behaviour in previous years, whilst considering additional costs

To mitigate the inflation/cost pressures on the business we forecast improvements in product performance due to planned price increases and benefit changes, resulting in a reduction in claim rates over the medium term period.



We see investment in new technology not as a nice to have but very much a great opportunity to continue to improve the service to our Policyholders and to drive efficiencies though the business, with 75% of customers now claiming online. In 2022 development of a new CRM system was successfully implemented. During the year the operating costs were £2,077k (2021 - £1,893k) representing a 9.7% increase (2021 – 12.6% increase) over the preceding year and accounting for 33.08% of premium income (2021 – 31.1%).This operating expense ratio has increased due to investment in IT infrastructure and increased external audit costs.

2.3 Investment Performance

At the reporting date our investment assets are split as follows:

- Collective Investment Fund £4.4m
- Property £0.3m
- Total £4.7m

Listed investments are included in the balance sheet at market value.

Investment income includes dividends, interest, rents and gains and losses on the realisation of investments and is initially dealt with in the non-technical account. Dividends are recorded when received. Interest and rents are accounted for when received. Total income received from our Collective Funds in the year ending 31 December 2022 was £205k (2021 £165k) this represented a 4.5% yield.

The company also holds liquid assets such as cash to meet any short-term liabilities. These assets are held in the name of the company.

The investments are currently registered in the name of Royal London Asset Management . The board meets with our fund managers at least once a year to discuss the performance of the fund and our requirements going forward. Senior management have regular correspondence with our fund managers and actuaries.

Realised gains and losses are calculated as the difference between net sales proceeds and purchase price. If the investment has been held since the previous year end, the realised gain or loss will be calculated as the difference between net sales proceeds and book value. The difference between book value and purchase price is transferred from unrealised reserves to realised reserves. The value of unrealised loss in the year ending 31 December 2022 was £471k, this compared to an unrealised gain in 2021 of £171k.

3.System of Governance

3.1 General Governance Arrangements

The company is a Not-for-Profit organisation limited by guarantee.

The Board is responsible for corporate governance, reputation of the company and stewardship of its policyholders.

The firm will always endeavour to apply the highest standards of corporate governance and has a goal of continuous improvement in governance processes.

The role of the Board

The Board is responsible for creating the framework within which the firm operates and is collectively responsible to the firm's stakeholders for the direction, promotion and oversight of the firm to ensure its long-term success. It provides leadership for the firm, devises strategy, ensures the necessary resources are available, and sets controls and standards. In doing so, the directors comply with their duties under section 172 of the Companies Act 2006.

Other core activities include obtaining assurance that material risks to the firm are identified, defining the firm's appetite for risk and ensuring that appropriate systems of risk management and internal control exist to mitigate such risks, as well as responsibility for ensuring the effectiveness of, and reporting on, the system of corporate governance. It also monitors performance and approves budgets and material initiatives and commitments. The Board has a clearly articulated set of matters which are specifically reserved for its determination and has approved terms of reference for all Board committees. The Board is responsible for setting the levels of delegated authority, whilst retaining overall responsibility for the governance of the firm. The Board's schedule of matters reserved includes:

- Strategy
- Structure and capital
- Financial reporting and controls
- Internal controls and risk management
- Authorisation and approval levels
- Board membership
- Delegation of authority and policy development
- Corporate governance matters
- Major acquisitions, projects and contracts

From 31 December 2019 the company has applied the new Association of Financial Mutuals (AFM) Corporate governance code. The code sets an expectation that members apply all the six principles and explain how they have interpreted and approached them. During 2022, we delivered against our Succession Plan, appointing a new CEO subject to regulatory approvals.

Principle One: Purpose and Leadership

An effective board promotes the purposes of an organisation and ensure that's its values strategy and culture align with its purpose.

Our purpose is to help the UK be happier and healthier through a range of products that are designed to meet our customers' needs. Helping businesses and individuals achieve more, whilst supporting the work of our community and amazing NHS.

Through the leadership of the Board a clear vision for the firm's purpose and values is articulated, which will underpin and define the strategy and culture of the organisation. This is embedded at every level of management.

- **You're special to us**
  We strive to go above and beyond for our customers, showing integrity always.

- **We're stronger together**
  We believe a collaborative approach is always better and work closely with our customers to provide for their needs.

- **We embrace change**
  We're always looking for new, innovative solutions for our customers and more efficient ways of working.

- **We keep it simple**
  We believe in transparency and clarity in our work and communications

Policies and protocols are in place to support the execution of the firm's purpose and values across the organisation, which drives overall engagement with our Policyholders, our customers, our employees and our community across the operating businesses.

The firm's initiatives such as My Giving and My Journey are examples of how purpose is brought to life and benchmarked.

Principle two: Board composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having enough capacity to make a valuable contribution. The size of a board will be guided by the scale and complexity of the organisation.

The firm operates through clear Board protocols and governance processes. These are set out in its terms of reference and standing items for the Board and its committee. This allows for both independent challenge and transparency in decision making.

The Board is supported through the executive and senior management team and its internal governance protocols.

Accountability is driven through routine evaluations of the Board.

The Board composition is balanced between executive and independent non-executive directors.

Principle three: Director responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.

Board appointments have been made with care and to ensure that its membership includes the right and appropriate levels of skills and experience to address the challenges that the business currently faces along with those of the future.

The Company secretary ensures that the Board has been given enough infrastructure to allow them to undertake their work with due care, which is aligned to achieving the Groups long-term success and vision.

The Board continues to be focused on improving its operational governance to ensure that the firm's corporate purpose and strategy remains at the centre of its decision-making protocols.

Principle four: Opportunity and risk

A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

Through clear definition of the firm's corporate purpose and values the Boards decisions are focused on promoting and delivering long term value; at the heart of which are its policyholders, customers, employees and community. This is embedded across the Groups key operating businesses and strategic decision-making areas.

Principal risks have been identified across the firm and at the operating business level with robust reporting to the Board on the plans to address and mitigate these. These are articulated further in this annual report and are set out in the organisations Own Risk Solvency Assessment (ORSA).

The Audit and Risk Committee is charged principally with:

- Monitoring the integrity of the financial statements;
- Review of the financial statements and their recommendation to the Board for approval;
- Review of the Group's internal controls and risk management systems;
- Major capital expenditure reviews;
- Review of the external audit plan;
- Review of the internal audit plan

The committee consists of a Chair and two non-executive directors. The committee is supported by Executive directors and senior management team when required.

The Audit and Risk Committee looks to meet a minimum of three times each year to assess and discuss risks.

The firm monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

In order to fulfil their responsibilities, the directors have implemented an ongoing process for identifying, evaluating and managing the significant risks faced by the firm. As part of this process, the Audit and Risk Committee and senior management meet together at least once each year to focus on the re-assessment of areas of risk that are significant to the achievement of business objectives, as defined by the board in setting strategic direction. The senior management team are responsible for ensuring that the system of internal control manages these areas of risk appropriately and that its effectiveness is adequately monitored and include their findings in regular reports to the directors.

Principle five: Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, considering pay and conditions elsewhere in the organisation.

The firm's remuneration policy is set out and monitored by its remuneration committee with clear objectives to incentivise management based on the long-term success of its strategic goals and business plans.

Succession planning and talent retention are key focus areas for the firm and its operating business levels.

The Remuneration committee is charged principally with:

- reviewing the ongoing appropriateness, relevance and efficiency of remuneration policy and practice;
- reviewing the design of performance-related pay schemes; and
- reviewing and approving the total annual payments made under such schemes

The committee consists of a Chair and two non-executive directors. The committee is supported by Executive directors and senior management team when required.

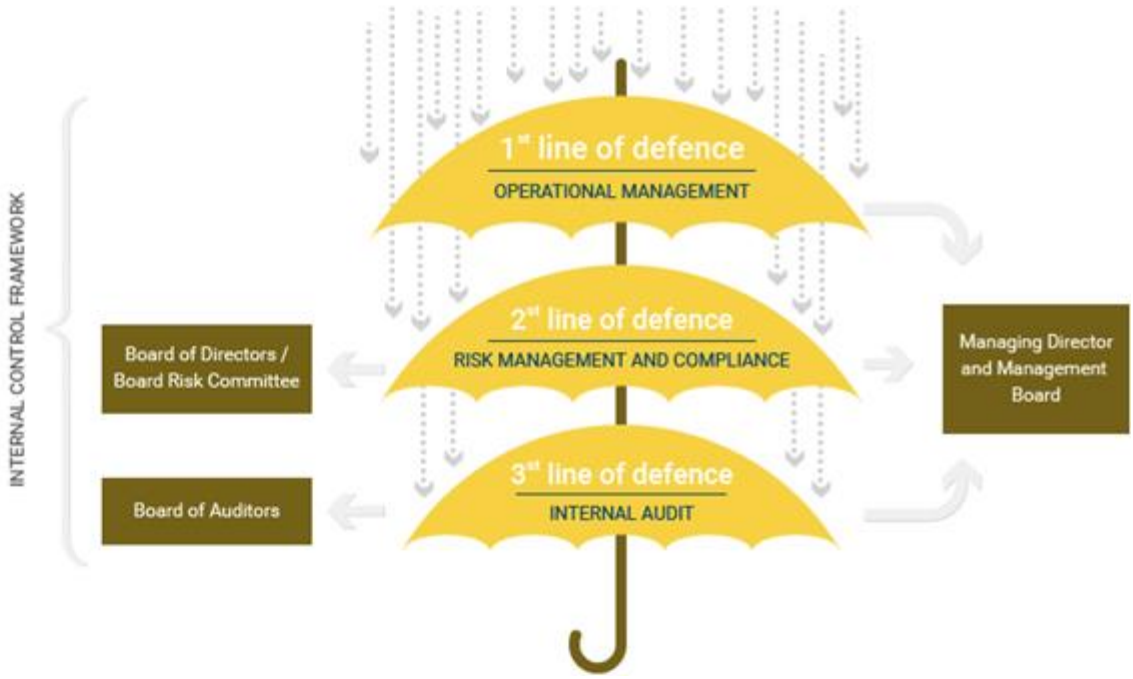
Principle six: Stakeholder relationships and engagement

Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Through the firm's defined purpose, underpinned by its values, stakeholder engagement is embedded at all levels of the organisation with clear direction and endorsement from the Board and senior management across each of the operating businesses.

The firm promotes an ongoing cycle of engagement with its stakeholders.

The company operates a three line of defence governance model.



3.2 Fit and Proper

Directors are appointed under the 'fit and proper' process adopted by the company. 'Fit and proper' is reviewed annually and there is a continuing obligation to advise the chairman if at any point individuals are unable to fill the requirements.

The company processes used to determine, honesty, integrity, reputation, competence/capability and financial soundness involves various checks as listed

- Credit checks
- Criminal record checks
- Identity checks (including passport)
- Employment references in line with FCA requirements
- Verification of qualifications and memberships
- Financial sanctions and Anti money laundering check
- FCA register search
- UK directorship search
- Social media checks

Paycare ensures that it is compliant with the standards required by the PRA and FCA under the Senior Managers and Certification Regime (SM&CR) when appointing Directors and Senior Managers and the framework is reviewed regularly.

An annual declaration is completed by all Directors and approved persons and an assessment of the individual's skills, knowledge and experience to undertake the role is also carried out.

3.3 Risk Management System

The company identifies and manages risk within a clearly defined framework and this framework forms the major risk elements of the company's ORSA. The framework is again underpinned by a 3 lines of defence mechanism.

The Board have ultimate responsibility for identifying and managing the risks that face the business and determine the risk appetite of the company and the Audit and Risk Committee directly oversee the framework. Executive directors and senior management manage risks on an operational basis.

Executive directors and senior management meet at least once a year to review assess and update the risk register in full and present this to the Audit and Risk Committee for approval. The Audit and Risk Committee recommend final approval by the Board.

The company's Operational Resilience framework and annual self-assessment process supports its ability to prevent, adapt and respond to, recover and learn from operational disruption. The firm undertakes a process of regular testing and review to ensure that it has the ability to deliver its Important Business Services – whilst preventing harm to customers and the business. This includes maintenance of Business Continuity and Disaster Recovery plans

3.4 ORSA

Senior management prepare at least annually an ORSA report to determine how much capital it is felt the company should hold to cover the risks identified.

The ORSA process pulls together all the elements of the risk work carried out within the business and a range of scenarios and stress tests are performed and applied to Paycare's balance sheet projection model to identify their impact on capital and ensures appropriate monitoring takes place.

The ORSA is updated at least annually following the business planning process and at any point where a material change to the business is to take place. It is formally reviewed by the Audit and Risk Committee prior to full approval by the Board.

3.5 Internal Control System

The company maintains an internal control system that governs financial and regulatory reporting in the company. This framework aims to ensure that

- All risks that pertain to the preparation and fair representation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented
- There are controls, manual and automated, in place to address these risks and they are adequately designed to prevent or detect material misstatements in the financial statements and disclosures
- The controls identified operate as they are supposed to and are appropriately evidenced.

Within the control framework the company focuses on various key elements as stated:

- Company culture and shared values that bind the organisation
- Personal development plans are agreed for all employees and each employee will undergo a formal performance appraisal at least annually
- Training and development of all employees from Board level to staff
- Treating customers fairly is embedded across the organisation

Compliance is the responsibility of all within the business and this is overseen by the Head of Compliance and Governance who ensures all relevant legislation and regulation is embedded in the business and adhered to. There is a Compliance policy and Compliance plan in place which defines the responsibilities, competences and reporting duties of the Compliance Function. The Compliance Plan sets out the planned activities of the Compliance function which considers all relevant areas of the business and its exposure to Compliance risk.

Senior managers prepare monthly internal process checks across all functions which include monitoring telephone calls, new business and due diligence, claims payments and correct authorisation of expenditure.

The compliance function is responsible for reporting to senior management and the Board any breaches or non-compliance with its policies, rules and regulations.

3.6 Internal Audit Function

To achieve independence and objectivity the Board require this function to be headed up by an external third party. Previously, internal audit has been undertaken by Mazars and Paycare aims to complete an external tender process during 2023.

All aspects of internal audit will be covered through a 3-year plan as agreed with the Board and reporting lines are directly to the Audit and Risk Committee.

3.7 Actuarial Function

The Board has considered the structure of the actuarial function to be proportional in constitution but complete in scope. The function holder for the actuarial function is Kathryn Moore. Kathryn is employed as a Senior Actuary with Steve Dixon Associates LLP (SDA). Kathryn presents an annual actuarial report to the Board.

The company has engaged the services of SDA to work alongside the Finance Manager in identifying analysing and quantifying levels of risks as required under SII and is reviewed and approved by the CEO.

3.8 Outsourcing

The company have in place an outsourcing policy and all key third party suppliers undergo due diligence and comprehensive service agreements are put in place to ensure that policyholder outcomes are not put at risk.

The Board considers the outsourcing arrangements at the company to be proportional in nature .

The company currently utilises the following service providers to undertake critical or important functions on its behalf:

- IT Outsourcing services including hosting services, software maintenance and support and development activities
- Internal Audit
- Actuarial services
- Website services
- Human Resources

4. Risk Profile

4.1 Underwriting Risk

Underwriting risk is the risk of making a loss on an activity or insurance either in assessing the risks it provides policies for or in quantifying claims that occur.

The following measures are used to assess underwriting risks:

- Experience analysis – the company projects the expected premiums and claims that it anticipates for the year ahead and tracks the performance against expected rates and reports results to the Executive Committee. Any deviations from expected results are identified and corrective action where necessary are put in place. Corrective actions available include changes in premium prices and amendments to benefits received.
- Economic capital modelling – the company has developed methodologies to assess underwriting risks and involves analysis of changing patterns in claims and premiums over time. This analysis gives indication of a deterioration or improvement to underwriting risk profile of the business over a period of time.
- The SII Standard Formula Capital Requirement requires an assessment and quantification of the underwriting risk exposure.

The principal risk faced by the company is that actual claims and benefit payments exceed the premiums received for those benefits. This could occur because the frequency and severity of claims are greater than anticipated. Claim events for certain benefits can be random and the actual number and amount of claims and benefits could vary year on year from the level estimated using estimation techniques as described above.

As the majority of the insurance policies are renewable policies with terms of one month, required premium increases can be implemented within short timescales enabling the risk that premiums are insufficient to cover claims and expenses to be controlled.

Claims are reported to the company and paid within a short timescale which means that the adequacy of claims provisions can be identified and controlled.

4.2 Market Risk

The company's core business is the writing of everyday health cash plans which are monthly renewable and have a short claims tail. Given this short duration a relatively conservative investment strategy is taken.

Market risk is the risk arising from changes in the market values or other features correlated with market values such as interest and inflation rates. It includes the consequences of asset value changes on liability values and asset-liability mismatching.

The company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk) in respect of its financial assets carried at fair value. The company also holds deposits, cash and trade receivables which are exposed to both credit and liquidity risk. The instruments held in Collective Investment funds are valued at £4,421k (2021: £5,391k).

These assets are managed by independent third-party fund managers on a discretionary basis, subject to certain mandated conditions determined by the company. Movements in the regulated markets can drive volatility within the valuation of these assets. The company uses the investment stresses defined under Solvency II to assess the impact on solvency of interest rate risk, equity risk, property risk, currency risk, spread risk, and concentration risk. The combined impact of market risk stresses using the Solvency II stresses is £1,298k (2021: £1,494k) and the Board are of the opinion we hold sufficient capital reserves.

i) Interest Rate Risk:

Interest rate risk arises from changes in interest rates, which could include impact on customer behaviour as well as the financial impact.

Interest rate risk occurs principally from fixed interest assets, such as government and corporate bonds. The internal sensitivity analysis for interest rate risk utilises the approach of the Solvency II insurance regulatory regime. This applies a prescribed shock to the yield of each bond asset based on the duration of each bond. The increase in the term structure of interest rates would lead to a capital requirement charge of £353k (2021: £203k) and the decrease in the term structure of interest rates would originate a capital requirement credit of £296k (2021: £89k).

ii) Currency Risk:

Currency risks is the risk of an adverse variation in the value of assets as result of changes in foreign exchange rates.

Paycare’s operations are conducted entirely in the UK. The company’s exposure to currency risk is restricted to foreign currency assets that are part of Collective Investment funds, mainly Euro and US dollars. The foreign currency assets held within the Collective investment funds are valued at £994k (2021: £1,067k).

The impact on the company’s assets of a 25% increase or decrease in the value of pound sterling relative to all foreign currencies would result in a loss or gain in the capital resources of £259k (2021: £293k).

iii) Equity Risk:

Equity risk is the risk that the value of investments will change as a result of prescribed equity value fluctuations.

The company is exposed to equity price risk because of its holding in equity investments, which are valued at fair value.

The equity risk capital requirement is calculated using prescribed factors based on the market level at the valuation date and whether the investment is in a major liquid market, which is assumed to have lower volatility, or other markets.

Other tangible assets on the balance sheet are assumed to the Other Assets and included in the calculation of equity risk.

The impact on the capital resources of the prescribed movement in asset prices is £610k (2021: £748k)

4.3 Counterparty Credit Risk

Counterparty Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the firm. The key areas of exposure to credit risk for the firm are in relation to its cash balances, investment portfolio and to a lesser extent amounts due from policyholders and intermediaries. The objective of the firm in managing its credit risk is to ensure risk is managed in line with the firm's risk appetite. The firm has established policies and procedures in order to manage credit risk and methods to measure it.

4.4 Liquidity Risk

Liquidity risk is the risk that the firm cannot meet its obligations associated with financial liabilities as they fall due. The firm has adopted an appropriate liquidity risk management framework for the management of the firm's liquidity requirements. The firm manages liquidity risk by maintaining banking facilities and investments by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The firm is exposed to liquidity risk arising from policyholders on its insurance contracts. Liquidity management ensures that the firm has sufficient access to funds necessary to cover insurance claims. In practice, most of the firm's assets are marketable securities which could be converted in to cash when required. There were no changes in the firm's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

The company holds considerable cash to meet its obligation to pay claims and has significant investments which could be sold immediately if required.

4.5 Operational Risk

Operational risk relates to the risk of loss resulting from inadequate or failing internal processes, people and systems ,loss or failure of key suppliers or from external events such as a cyber-incidents, natural disaster or terrorist attack.

Material operational risks that are assessed include:

- Cyber/data security – the risk of the inability to protect data from unauthorised use, disclosure, disruption, modification and /or destruction.
- Outsourcing – the risk of failure, non-performance, and/or ineffective management oversight of key suppliers/outsourcers.
- People – the risk of inadequate recruitment process, development, management or retention of employees and/or contractors

4.6 Financial Risks of Climate Change

Climate change, and society's response to it, presents many financial risks. Whilst the financial risk from climate change may crystallise in full over a longer time horizon, they are also becoming apparent now.

Financial risks from climate change for Paycare arise from two primary channels, or 'risk factors', physical and transition risk .

- Physical climate risks, which includes both long-term changes in climate, as well as changes to the frequency and magnitude of extreme weather events, can cause direct damage to assets or property, changes to income and costs, and changes to the cost and availability of insurance;

- Transition climate risks, which include risks related to changes in domestic and international policy, technological innovation, social adaptation and market changes, which can result in changes to costs, income and profits, investment preferences and asset viability;

The Board has considered the financial risks and the associated materiality of both the physical risk and transitional risk associated with climate change on Paycare.

As the potential transition risk identified relates to the value of the underlying assets contained within the collective funds, we recognise as do our asset managers, Royal London Asset Management (RLAM) the potential impact on the financial outcomes if not managed appropriately.

We are working with RLAM to ensure we take the necessary steps in ensuring our investments are invested responsibly. On our behalf, RLAM engage with the companies we invest in to help them improve their Environmental, Social and Governance credentials.

The impacts of climate change create both risks and opportunities for the companies and issuers we invest in. Our strong preference is to address climate risks through engagement, advocacy, and prudent investment risk management rather than by adopting strict company or sector exclusions.

The insurance policies underwritten by Paycare are not impacted directly by climate related weather events, although there is some potential impact of any changes to underlying health related issues as a result of global warming. Any requirements for Paycare's products to develop to mitigate these changes will be incorporated into the existing product development and pricing processes.

Emissions and energy consumption

We believe that we are all responsible for evaluating and reducing our impact on our planet.

Paycare has always tried to consider the impact of its operations on the world, but we identify our need to understand more about how we can make a difference in this area, and our short-term aims is to increase our knowledge and develop our future strategy to make a bigger impact. We are focusing our efforts on reduction, reuse, and even recycle products used within the firm.

Our total annual carbon footprint has been calculated at tonnes of carbon dioxide equivalents and based on emissions made scope 2 (Indirect emissions - electricity, heating, cooling) and Scope 3 (Indirect emissions - supply chain, employee waste, water, business travel, commuting) within the UK only:

	Unit	**2022**	**2021**
Total for Scope 2	t CO2e	47.8	58.5
Total for Scope 3	t CO2e	2.1	0.7
Total	t CO2e	49.9	59.2
Intensity metrics	t CO2e/sq ft	0.00425	0.00504

With risks, there are potential opportunities, and the company has concentrated efforts in defining a paperless claims journey for our customers, (75% of claim received are online).

We are also developing our processes for supplier onboarding and management to understand how they are responding to climate change and what they are doing to mitigate its risk.

5. Valuation for Solvency Purposes

5.1 Assets

The table below sets out the basis of our SII asset valuation for each material class of asset. Assets are measured on a market value basis at the reporting date.

Assets	SII Value £000's	UK GAAP Value £000's
Property, plant & equipment (own use)	1,464	1,448
Investment Property	319	319
Collective Investments	4,421	4,421
Insurance and intermediaries receivables	457	568
Cash and cash equivalents	515	515
Any other assets, not elsewhere shown		
Total assets	**7,176**	**7,271**

- Property – is valued at fair value under SII and NBV in the annual financial statements which follow UK GAAP.
- Plant & equipment – The Board considers that there is minimal difference between the UK GAAP valuation and the SII value.
- Investment Property – is valued on the same basis as the annual financial statements. Valuations are based on the Board assessment of market value with full valuations being made by an independent professionally qualified valuer periodically as required.
- Investments – are valued for SII purposes on the same value as the financial statements which follow UK GAAP. These are valued at market value at the reporting date.
- Insurance and intermediaries receivables – under UK GAAP these relate primarily to amounts owed to us by policyholders.
- Cash and cash equivalents – the cash holdings are held in the name of the company, they are instant access and the company has no issues withdrawing or moving money held in these accounts.
- Prepayments – under Solvency II these services are valued at nil as they cannot be transferred to another party.

5.2 Technical Provisions

The table below gives a summary of the SII and UK GAAP valuations of technical provisions split between best estimate and risk margin.

Technical Provisions	SII Value £000's	UK GAAP Value £000's
Technical Provisions (Best Estimate)	615	367
Risk Margin	72	-
Total	**687**	**367**

The company's SII technical provisions are designed to reflect the amount a third party insurer would be paid to accept the liabilities at December 2022 and are equal to the sum of the best estimate and the risk margin. The best estimate is the sum of the claims and premium provisions and the risk margin is equal to the cost of the capital a third party insurer would require to take on the liabilities. These are set out in accordance with SII regulations. The UK GAAP technical provisions relate to claims only.

The Premium Provision and Claims Provision are calculated separately. The premium provision is established in respect of cash-flow associated with claims which will occur after December 2022 and the claims provision is established in respect of cash-flow associated with claims which have occurred prior to December 2022.

Best estimates are determined using forward looking projections of all in-force policies and claims. The company includes all its business under 'medical expenses insurance' and all business is direct, there is no inward reinsurance.

The company consider that the technical provision is prepared on a suitable basis and in line with legislation.

5.3 Other Liabilities

The table below sets out other liabilities under SII and UK GAAP valuations

Other Liabilities	SII Value £000's	UK GAAP Value £000's
Deferred Tax	56	56
Insurance & intermediaries payables	22	22
Trade payables	423	423
Other liabilities	192	192
Total Liabilities	**693**	**693**

Deferred tax assets/liabilities are recognised when transactions or events have occurred at the reporting date that will result in an obligation to receive/pay corporation tax in the future if an asset/liability is held. At the 31st December 2022, the deferred tax liability relates to unrealised gain on investments and revaluation investment property which are expected to reverse in future periods. At the reporting date no specific date has been set for the sale of these investment assets.

Trade payables, including IPT payable are valued at fair value at the reporting date. The financial statements include ‘insurance & intermediaries payable’ in ‘creditors’. There are no differences in valuation under UK GAAP.

5.4 Other

The company does not have a defined benefit pension scheme or any material reinsurance in place.

6. Capital Management

6.1 Own Funds

The objectives of the business are to maintain sufficient funds to cover MCR and SCR with an appropriate buffer.

The company's own funds consist 100% of policyholder's funds arising from retained profits which have arisen from past underwriting and investment surpluses. There are no restrictions on the availability of the company's own funds to support the MCR and SCR and are therefore classified as Tier 1.

6.2 SCR and MCR

The company calculates its regulatory capital requirement as higher of the MCR and the Solvency II standard formula. Given the nature of the insurance underwritten and the assets held, the Board decided that this was appropriate for the needs of the business and did not apply for an internal or partial internal model. As a category 4 insurer, the company has a waiver from quarterly reporting.

The company applies the standard formula, without modification for undertaking specific parameters and has not used any simplifications allowed by the regulators. The final values remain subject to supervisory assessment.

	Dec 22 SII Value £000's	**Dec 21 SII Value £000's**
Market Risk	1,298	1,494
Counterparty Risk	135	145
Health Underwriting Risk	1045	989
Diversification	(572)	(591)
Operational Risk	190	184
SCR	**2,096**	**2,221**
MCR	**2,325**	**2,112**
Own Funds	**5,795**	**6,550**
Solvency Ratio	**249%**	**295%**

MCR is the minimum capital requirement calculated as the amount equivalent to €2,700,000 using exchanges rates published by the PRA.

6.3 Non-compliance with MCR and SCR

The company has fully complied with the standard formula calculation for MCR and SCR and has had sufficient assets to cover the technical provisions and the higher of the MCR and SCR at all times during 2022.

The company has not identified any area where uncertainties are likely to lead to a material misstatement of our capital requirements.

The following table gives an indication of the potential impact on the Paycare Solvency Ratio of a 30% depreciation of the pound to the euro, a 30% increase in the value of the RLAM investment fund, a 30% reduction in the value of the RLAM investment fund and a combination of a 30% depreciation of the pound to the euro and a 30% reduction in the value of the RLAM investment fund.

The value of the investments would need to increase by 33% before the SCR is equal to the MCR.

Solvency Ratio	**Dec 22**	**% Change**
Base	249%	
1) 30% Depreciation of £ to euro (impact on MCR only)	192%	-23%
2) 30% Lower Investment values (impacting Own Funds only as MCR stays the same)	192%	-23%
3) 30% higher Investment values (impacting Own Funds only as MCR stays the same)	306%	23%
Combination of stress 1 and 2	148%	-41%

Capital management

The capital of the business is monitored on an ongoing basis and continues to maintain strong solvency levels and expects to continue to meet its regulatory Solvency Capital Requirements. Notwithstanding this, associated volatility in financial markets and high level of inflation will most likely have an adverse impact on the Company's own funds and solvency cover ratio in the short to medium term. The Company's balance sheet exposure and solvency position has been reviewed and actions are being taken to protect the solvency position and further reduce the sensitivity to economic shocks.

Paycare

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

General information

Undertaking name	Paycare
Undertaking identification code	213800H3VDM7SWS7BQ64
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	1,464
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,740
R0080	*Property (other than for own use)*	319
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	4,421
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	281
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	515
R0420	Any other assets, not elsewhere shown	176
R0500	**Total assets**	7,176

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	687
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	687
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	615
R0590	*Risk margin*	73
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	56
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	22
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	424
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	192
R0900	**Total liabilities**	1,381
R1000	**Excess of assets over liabilities**	5,795

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												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	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	6,334																6,334
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net	6,334																6,334
	Premiums earned																	
R0210	Gross - Direct Business	6,334																6,334
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net	6,334																6,334
	Claims incurred																	
R0310	Gross - Direct Business	4,624																4,624
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net	4,624																4,624
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0																0
R0550	**Expenses incurred**	2,133																2,133
R1200	**Other expenses**																	117
R1300	**Total expenses**																	2,250

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	6,334						6,334
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	6,334						6,334
	Premiums earned							
R0210	Gross - Direct Business	6,334						6,334
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	6,334						6,334
	Claims incurred							
R0310	Gross - Direct Business	4,624						4,624
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	4,624						4,624
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0						0
R0550	**Expenses incurred**	2,133						2,133
R1200	**Other expenses**							117
R1300	**Total expenses**							2,250

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0																0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	222																222
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**	222																222
	Claims provisions																	
R0160	Gross	392																392
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**	392																392
R0260	**Total best estimate - gross**	615																615
R0270	**Total best estimate - net**	615																615
R0280	**Risk margin**	73																73
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	687																687
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0																0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	687																687

S.19.01.21

Non-Life insurance claims

Total Non-life business

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

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2013	5,036	156	0	0	0	0	0	0	0	0		0	5,192
R0170	2014	5,074	79	0	0	0	0	0	0	0			0	5,152
R0180	2015	5,153	157	0	0	0	0	0	0				0	5,309
R0190	2016	4,997	137	0	0	0	0	0					0	5,134
R0200	2017	4,944	153	0	0	0	0						0	5,097
R0210	2018	5,024	152	0	0	0							0	5,177
R0220	2019	4,945	143	0	0								0	5,088
R0230	2020	3,519	181	0									0	3,701
R0240	2021	4,191	170										170	4,361
R0250	2022	4,271											4,271	4,271
R0260												**Total**	4,442	48,483

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0
R0170	2014	0	0	0	0	0	0	0	0	0			0
R0180	2015	0	0	0	0	0	0	0	0				0
R0190	2016	159	0	0	0	0	0	0					0
R0200	2017	158	0	0	0	0	0						0
R0210	2018	83	0	0	0	0							0
R0220	2019	237	0	0	0								0
R0230	2020	203	0	0									0
R0240	2021	199	0										0
R0250	2022	392											392
R0260												**Total**	392

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	5,795	5,795			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	5,795	5,795	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	5,795	5,795	0	0	0
R0510	Total available own funds to meet the MCR	5,795	5,795	0	0	
R0540	Total eligible own funds to meet the SCR	5,795	5,795	0	0	0
R0550	Total eligible own funds to meet the MCR	5,795	5,795	0	0	
R0580	**SCR**	2,096				
R0600	**MCR**	2,325				
R0620	**Ratio of Eligible own funds to SCR**	276.54%				
R0640	**Ratio of Eligible own funds to MCR**	249.24%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	5,795
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	5,795
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	33
R0790	**Total Expected profits included in future premiums (EPIFP)**	33

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,298		
R0020	Counterparty default risk	135		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	1,045		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-572		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,906		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	190
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	2,096
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	2,096
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Not applicable

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	327

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	615	6,334
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	327
R0310	SCR	2,096
R0320	MCR cap	943
R0330	MCR floor	524
R0340	Combined MCR	524
R0350	Absolute floor of the MCR	2,325
R0400	**Minimum Capital Requirement**	2,325