Personal Group

Personal Assurance Plc

Solvency and Financial Condition Report

31 December 2017

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About this document

This document is Personal Assurance Plc's Solvency and Financial Condition Report ("SFCR") as at the year ended 31 December 2017. This SFCR covers Personal Assurance Plc ("PA") on a solo basis.

The Company's reporting and presentational currency is GBP.

The contents of the SFCR are prescribed by EU regulation and must contain the following sections:

Section heading	Description of contents
Business and performance	Provides basic information on the Company and gives a summary of business performance over the reporting year.
System of governance	Provides organisational information on the Company including committee structure, responsibilities of those committees and details of the processes used to manage risks in the Company.
Risk profile	Provides qualitative and quantitative information regarding the risks that face the Company.
Valuation for Solvency purposes	Provides values for the Company's assets and liabilities calculated in accordance with accounting rules and solvency rules, gives details on the assumptions used to calculate these valuations and provides information on differences between them.
Capital management	Provides details on the regulatory capital requirements that the Company must hold in line with Solvency II rules and information on the Company's excess assets not required to meet its liabilities.

Directors' Responsibility Statement

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 Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the Company; and

b) it is reasonable to believe that the Company has continued to so comply subsequently and will continue to so comply in future.

Mark Scanlon
Chief Executive Officer
4/5/2018

Executive Summary

Background

Personal Assurance Plc ("PA") was established in 1984 and commenced trading as a general insurance company in the same year. It is part of a Group headed by a Mixed Activity Insurance Holding Company ("MAIHC"), Personal Group Holdings Plc ("PGH"), which is listed on AIM, a market operated by the London Stock Exchange. The company's immediate parent is Personal Group Limited ("PGL") an intermediate holding company.

PGH is an employee services business which works with employers to build employee engagement and drive productivity. As part of the offering it provides its own insurance products, primarily hospital cash plans and convalescence plans, which are underwritten by PA and are sold to individuals at their place of work. The majority of premiums are collected by the employer via payroll deduction and the policies have a short contract duration of either a week or a month in line with the payroll frequency.

2017 business performance

The hospital cash plans and convalescence plans underwritten by PA have been PA's core products since 1984 and represented the majority (98%) of its gross written premiums in 2017. As a long-established product, retention rates and claims ratios are well understood, with both having remained consistent over a number of years. Performance in 2017 was in line with expectations, with PA making an underwriting profit of £7.6m and pre-tax profit of £7.4m.

As at 31 December 2017, PA's Solvency Ratio was 261% of its Solvency Capital Requirement ("SCR"), in line with its long-term prudent approach of maintaining capital well in excess of its solvency requirements and the level of risk appetite set by PA's Board. Also in line with this prudent approach, PA holds the majority of its assets in short term fixed interest deposits and, as such, its income from investment activities in 2017 was minimal at £0.1m.

As part of a wider group, the profits made by PA are used to support the Group's progressive dividend policy, albeit the PA Board has the ability to restrict dividend payments up the Group should it be required in order to maintain the desired Solvency Ratio of at least 200%. In 2017 PA paid a dividend of £6.5m to its parent company PGL.

Systems of governance

PA employs systems of governance, commensurate with the simplicity of its products and risk profile, through a combination of internal and external knowledge and resources. As part of its systems of governance, PA has three lines of defence. The first line of defence is operated by the management of each business area. The second line of defence is with the Risk Team and the third line of defence rests with the internal auditors. Management information produced to support the governance framework is reviewed regularly by the Senior Management Team ("SMT"), the Risk and Compliance Committee ("RCC"), and by PA's Board.

Risk profile

In its capacity as an underwriter of general insurance products the Company is exposed to the liabilities it incurs in relation to the hospital cash plans and convalescence plans which are sold by other companies in the wider Personal Group ("PG") of companies. However, PA has identified, and it considers, the complete suite of risks it is exposed to and which are managed under the enterprise risk management framework. PA has taken account of and managed all its risks within appetite during 2017, with Risk Owners providing the PA Board with supporting evidence.

Capital management

As at 31 December 2017 PA had a SCR of £4.6m and a Minimum Capital Requirement ("MCR") of £2.3m, as calculated using the standard formula, recommended by the European Insurance and Occupational Pensions Authority ("EIOPA"), with no variations applied. These were covered by Own Funds totaling £12.0m.

PA has also assessed and completed projections of its capital and solvency positions on a Solvency II basis based on its 3 year business plan and has stressed these to identify any significant risks. However, despite the severe stress and scenario testing, PA's solvency requirements remain over 100% at all times. The Board of PA and the SMT will continuously monitor any changes to business performance and any changes to currently projected results.

Conclusion

PA is a well-established underwriter, with an appropriate management structure which is supported by an effective Enterprise Risk Management ("ERM") framework. Performance in 2017 was in line with expectations and the risks encountered were in line with the risk management framework and risk appetite. The Board of PA has a high level of confidence that it will be able to maintain a Solvency Ratio of > 200%, reflecting its risk appetite, going forward.

A Business and Performance (unaudited)

A1 Business and external environment:

Company information for Personal Assurance Plc ("PA"):

Registered Office:	John Ormond House 899 Silbury Boulevard Central Milton Keynes MK9 3XL
Company Registration Number:	1832067
Legal Entity Identifier:	213800NNUP5MMPUSHD77
External Auditor:	KPMG LLP 1 St Peter's Square Manchester M2 3AE
Regulator (financial supervision):	Prudential Regulation Authority (Smaller Insurers Supervisory Group) Bank of England Threadneedle Street London EC2R 8AH PRA.FirmEnquiries@bankofengland.co.uk
Regulator (conduct supervision):	Financial Conduct Authority 25 The North Colonnade London E14 5HS
Parent Undertaking:	Personal Group Limited ("PGL") – 100% ownership.
Ultimate Parent Undertaking:	Personal Group Holdings Plc ("PGH").

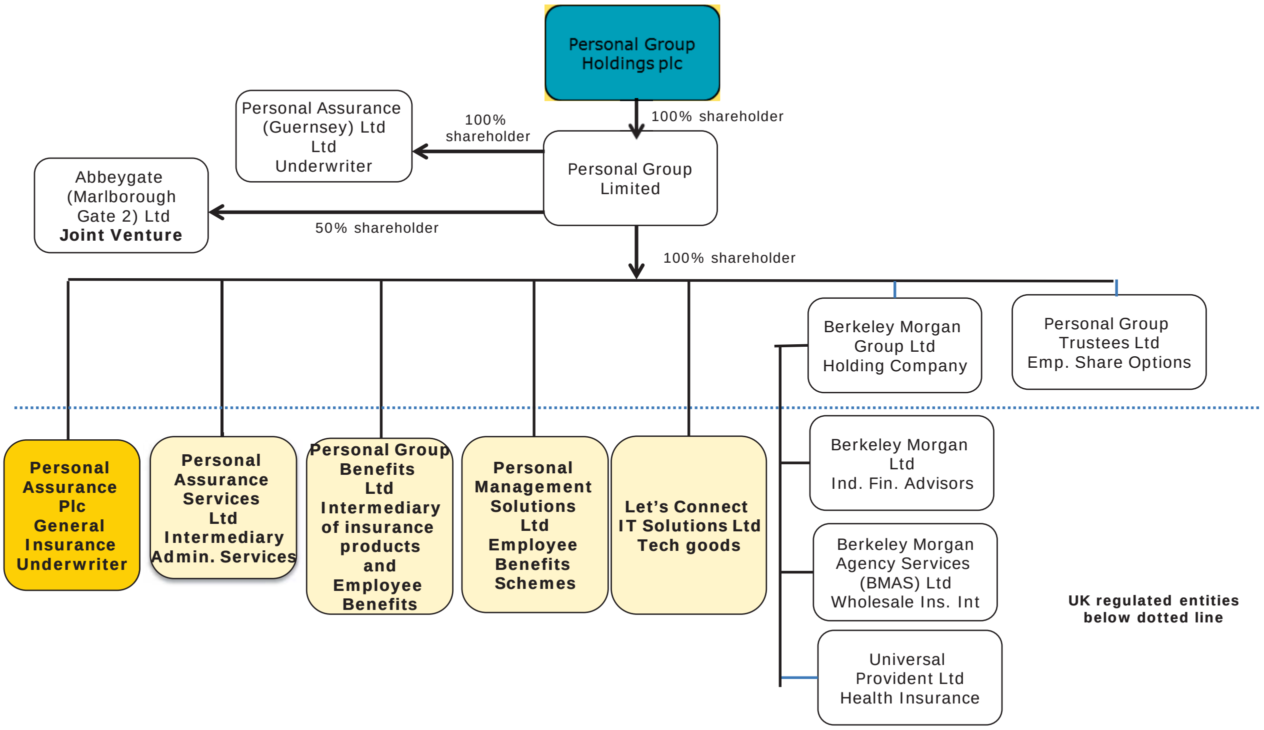
PA is regulated as a solo insurance entity as the Group is considered to be a *Mixed Activity Insurance Group.*

PA is principally engaged in the underwriting of hospital cash plans and convalescence cover in the United Kingdom ("UK").

PA's functional and presentation currency is GBP.

Group Structure and Overview:

Personal Group structure chart March 2018



PGH is an employee services business which works with employers to build employee engagement and drive productivity. As part of the offering it provides its own insurance products, primarily hospital cash plans and convalescence plans which are underwritten by PA, as well as death benefit policies which are underwritten by another group subsidiary, Personal Assurance (Guernsey) Limited ("PAGL").

The diagram above shows the composition of the Group and the activity undertaken by each company.

The policies which PA underwrites are predominantly sold face to face by Personal Group Benefits Limited ("PGB") and administered by Personal Assurance Services Limited ("PAS"). These services are provided via Terms of Business Agreements between the relevant companies.

As well as receiving premium payments for the sales of its products, PA also receives and passes on the premium payments for PAGL. PAGL premiums are not used in any capacity for SII calculations.

Details of the PA's Board and Committee structures, as well as further detail on the roles undertaken by key individuals, are set down in section B - System of Governance.

There have been no significant business or other events that have occurred over the reporting period that have had a material impact on PA in terms of risk profile or capital.

Summary of business performance over the reporting period:

The Company prepares its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

The business performance information given in this section is on an FRS101 basis as shown in the PA Financial Statements.

The profit and loss account for the year ended 31 December 2017 is set out below:

	2017 £000	2016 £000
Earned premiums net of reinsurance	24,385	25,196
Claims incurred	(5,599)	(6,387)
Operating expenses	(11,236)	(12,055)
Balance on technical account for general business	**7,550**	**6,754**
Net investment return	90	57
Share-based payment expenses	(123)	(94)
Charitable donations	(100)	(100)
Profit before tax	**7,417**	**6,617**

PA predominantly underwrites hospital cash plan and convalescence cover policies sold to employees working for large enterprises, with monthly or weekly premiums collected by the employer via payroll deduction. The policies are short term in nature, usually monthly or weekly contracts in line with the payroll frequency. These policies accounted for 98.2% of gross premiums written in 2017 (2016: 96%).

In addition, PA also underwrites a small amount of voluntary group income protection (“VGIP”) policies. These accounted for 1.8% of gross written premiums in 2017. The VGIP policies are no longer actively marketed.

Prior to 2017 Private Medical Insurance (“PMI”) policies had been underwritten by the Group. On 9 February 2016 the Group Signed an agreement with AXA PPP healthcare to transfer the PMI business over to them in a phased approach between July 2016 and June 2017. No new policies were underwritten in 2017 and by the end of 2017 the entire PMI business had been transferred. The PMI business had accounted for 1.9% of gross written premiums in 2016 with an associated loss ratio of 45%.

A2 Performance from underwriting activities:

PA's earned premiums for the year ended 31 December 2017 were in line with the prior year, at £24.4m (2016: £25.2M).

The slight reduction is due to the sale of the PMI business as mentioned previously (classified as medical expense insurance) to AXA which has been partially offset by increases in hospital plan premiums (also classified as medical expense insurance).

The claims incurred amount decreased by £0.8m (12%); this reduction is due to sale of the PMI book which has traditionally had a higher loss ratio compared to a lower loss ratio in respect of the hospital plan policies.

Underwriting profit for the year was £7.6m (2016: £6.8m) and was generated from business in the UK only.

For more details on PA's underwriting performance please refer to S.05.01.02 annual reporting information at the end of this document

Acquisition costs

Acquisition costs incurred in writing the business are recognised in the period in which the related premiums are earned for statutory reporting. Under Solvency II all expenditure on acquisition costs is immediately incurred in full.

A3 Performance from investment activities:

PA adopts a prudent approach of maintaining the majority of its investments in short term bank deposits. This strategy has been approved by the Board to minimise any market, credit and liquidity risks.

As at 31 December 2017, PA's investment portfolio comprised the following assets:

Asset type	Valuation £000	%
Bank deposits	9,175	85%
Cash at bank	850	8%
Equities	801	7%
	10,826	**100%**

For the year ended 31 December 2017, the investment portfolio made an investment return of £145K, net of management fees (2016: £67K) as detailed below.

Asset type	Gross investment income £000	Investment expenses £000	Realised gains and (losses) £000	Unrealised gains and (losses) (recognised in equity) £000	Total Investment Return £000
Bank deposits	27	-	-	-	**27**
Cash at bank	-	-	-	-	**-**
Equities	23	(5)	45	55	**118**
Total	**50**	**(5)**	**45**	**55**	**145**

Net investment return recognised in the statement of profit or loss and other comprehensive income includes gross investment income (comprising of interest and dividends, realised gains and losses and movements in unrealised gains and losses on financial assets held at fair value through profit or loss), net of interest payable, investment expenses and impairment losses on financial assets.

Investment income has had a strong year compared to 2016 due to the increased returns on the equity portfolio.

As at 31 December 2017 unrealised gains on the equity investments stood at £66K (2016: £18k).

PA had no investment in securitisations in the financial year ending 31 December 2017.

A4 Operating/other expenses:

The non-underwriting expenses and distributions are detailed below:

	2017 £000	**2016 £000**
Share-based payments expense	**(123)**	(94)
Other charges – charitable donations	**(100)**	(100)

Share-based payment expenses represent the amount charged to the profit and loss account in respect of employees who are participants in the Group's Company Share Ownership Plan and Long Term Incentive Plans.

Charitable donations represent amounts paid to Personal Assurance Charitable Trust ("PACT").

A5 Any other disclosures:

Dividends paid to the immediate parent undertaking are as follows.

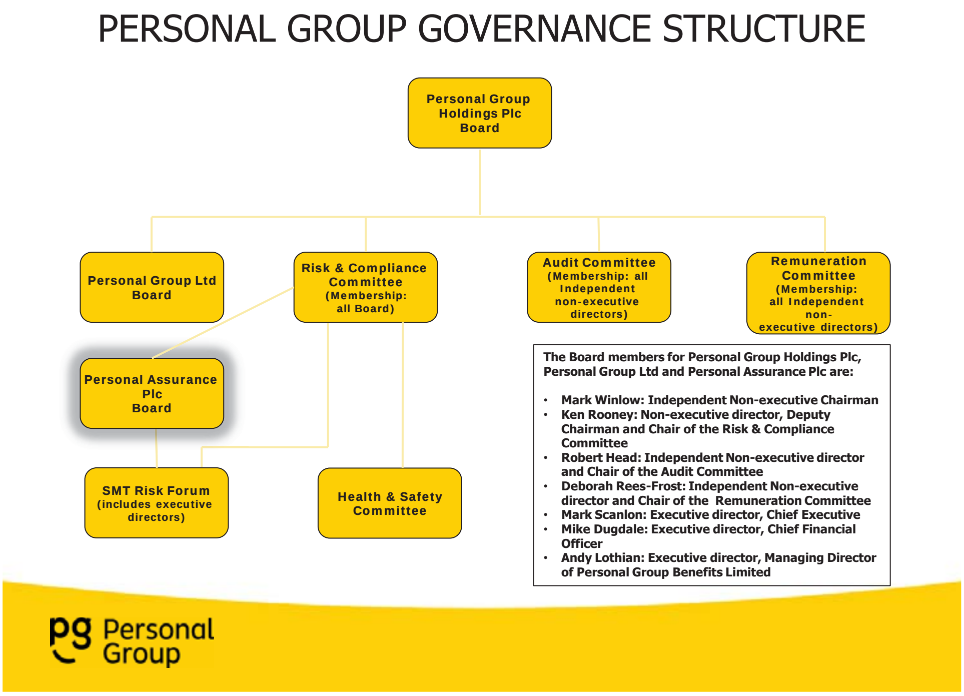
	2017 £000	**2016 £000**
Dividends to parent	**(6,500)**	(6,500)

B Systems of Governance (unaudited)

B1 General Governance arrangements:

PA's governance structure reflects its membership of the PGH Group of companies, whilst ensuring that it maintains robust insurance entity governance arrangements.

Governance is carried out, and reported by, the Boards and Committees shown below



The Governance Structure of PGH includes a number of Committees which have delegated authorities as described in the relative Terms of Reference. Each of the Committees shown in the chart above are Committees of PGH and maintain ultimate responsibility for overseeing the running of PA. The roles and responsibilities of these Committees are set out below. There has been no material change in the governance structure in the last 12 months.

Board of Directors

The Board of PA presently consists of three Executive and four Non-Executive Directors, it meets on a regular basis (monthly) and is responsible for the strategy and development of PA and the efficient management of its resources. It is supplied in a timely manner prior to meetings with information from the SMT of the wider Personal Group of companies on financial, business and corporate matters, which enables it to discharge its duties.

The Board of PGH, being the ultimate parent of PA, maintains ultimate responsibility for overseeing the running of PA. Its responsibilities include:

- setting business strategy and monitoring performance against its business plan;

- implementing risk appetite and setting local tolerances applicable to PA;
- monitoring compliance with relevant laws and regulation; and
- reviewing and maintaining the effectiveness of the corporate governance framework and the PA's internal control framework.

All Directors of PA and of PGH have access to the advice and services of the Company Secretary and appropriate training is given as and when required. There are also procedures in place for the Non-Executive Directors to obtain independent legal or other professional advice at the Group's expense. The Board will have access to services of external consultants or specialists where necessary or appropriate, subject to due procedures for the appointment and dismissal of such consultants or specialists.

Any new appointees to the Board would need full board and regulatory approval.

PGH has a formal schedule of matters which are reserved for decision by the Board of the Holding company. In addition, the Board of the Holding company has established Committees with written Terms of Reference to fulfil specific functions (including the activities of PA), as set out below. The matters reserved for the Board of PGH include the appointment of Directors and Senior Executives, in consequence of which a separate Nominations Committee is considered unnecessary at the present time.

Audit Committee

The Audit Committee comprises three Non-Executive Directors and is chaired by Bob Head. It meets at least twice a year, with the Deputy Chairman, the Chief Executive ("CEO"), the Chief Financial Officer ("CFO") and external and internal auditors usually in attendance. Its key responsibilities are to review accounting matters, financial reporting and internal controls (including the internal audit function), together with the interim and annual results announcements. It also agrees the scope of services provided by the internal audit function.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors with the Deputy Chairman and the CEO in attendance and is chaired by a Deborah Rees-Frost. It meets when required, but not less than once a year. Its key responsibilities are to review and make recommendations to the Board for the terms and conditions of employment of the Executive Directors (including performance-related bonuses, share options and incentive plans), and to set the framework for the remuneration of other Senior Executives.

The remuneration of the Non-Executive Directors is fixed by the Board as a whole, but Non-Executive Directors do not participate in discussions about their own remuneration.

It also reviews appropriate remuneration of front line sales in the insurance business.

Risk and Compliance Committee

The RCC comprises four Non-Executive Directors, the CEO the CFO and the Managing Director of PGB with the Head of Risk and the Company Secretary normally in attendance. It is chaired by Ken Rooney. It meets as required, but not less than four times a year. It is responsible for overseeing the risk management and compliance function of the Group, and reports to the Board on a range of compliance and operational activities of the Group as a whole.

SMT Risk Forum

The forum comprises members of PG's SMT. It meets monthly to consider a range of management information which evidences compliance standards. Within the forum the compliance standards of PA are considered.

PA's governance structure is deemed to be adequate and in line with the nature, scale and complexity of the business. In addition, no material changes to the group structure have been noted.

B1.1 Remuneration Policies:

PA has a policy which applies to all aspects of the remuneration of its Board Members, including the Company Secretary, and SMT, irrespective of which Group company they are employed by.

The Board confirms that in structuring, implementing and reviewing the Company's Remuneration Policy, the decision-making process identifies and manages conflicts of interests and is properly documented.

The Remuneration Policy is supported by practices and procedures which promote sound and effective risk management and do not encourage risk-taking that exceeds the level of tolerated risk of PA. It enables PA to comply with the Solvency II remuneration principles set out in EIOPA Article 275, taking into account the nature, scale and complexity of the risks inherent in PA's business and therefore also supports PA's fair treatment of customers.

PA aims to create an environment that motivates high performance so that all employees can positively contribute to the Company's strategy and values.

The Company has a robust performance management practice, which ensures equitable and, where appropriate, competitively benchmarked pay levels with incentives which are geared to agreed performance outcomes that are consistent with the level of tolerated risk of the Company.

The key factors that underpin the Company's reward policy, rewards structures and individual rewards are:

- Ensuring all remuneration decisions are governed by the Remuneration Committee,
- Offering pay packages that are competitive in the market to attract and retain the right people;
- Keeping performance rewards at the heart of PA's remuneration philosophy – exceptional performance is recognised and rewarded;
- Being non-discriminatory – all remuneration practices are free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin; and
- Ensuring pay designs comply with all tax and regulatory requirements.

The Remuneration Policy is intended to recruit and retain employees whose values are aligned to the Company's culture and core purpose. PA aims to create an environment that motivates high performance so that all employees can positively contribute to the Company's strategy and values.

B1.2 Material Transactions with Shareholders:

During the year PA paid dividends to its immediate undertaking of £6.5m.

B1.3 Adequacy of System of Governance:

PA employs an Enterprise Risk Management ("ERM") approach with an embedded structured framework of processes, controls and governance implemented across the business.

Ownership of various risk categories resides with individual Executive Directors and Managers.

The Board believes that the systems of governance in place are adequate for the nature scale and complexity of risks inherent to the business.

B1.4 Governance Key Functions:

Risk Management

Risk Management is led by the Head of Risk, who is responsible for the overall management and day-to-day leadership of PA's ERM framework and reports directly to the CFO. She also has a reporting line to the chair of the RCC and attends all RCC meetings.

The Head of Risk liaises with all areas of the business to understand and quantify the relationships among multiple risks and to ensure implementation of ERM best practices.

The purpose of Risk Management function is to provide the management of PA with an ERM framework that supports the identification, measurement, monitoring, management and reporting on a continuous basis the risks to which PA may face or could be exposed to. To fulfil this role, the function sets strategies, standards, policies and procedures that provide reasonable assurance that PA achieves its financial, operational and strategic objectives in a manner consistent with its risk tolerances and appetites agreed.

The function is responsible for ensuring risks are managed and controlled by line management in alignment with PA's set tolerances, business plan and strategic objectives. All business units are deemed to be within the scope of PA's Risk Management function and the successful execution of its responsibilities.

PA's Risk Management function ensures that reporting standards and appetites are adequately reflected in its risk policies and that escalation procedures are correctly defined and linked to the overall risk appetite. In addition, it provides ongoing monitoring of exposures exceeding appetite limits and ensures clear escalation criteria to report these exposures to the relevant individual /committee within PA.

Internal Audit

PA's internal audit function has been outsourced to RSM. These individuals maintain an independent reporting line to the Audit Committee and to the Board. The internal audit outsourcing relationship is managed by the CFO. Each year the audit strategy and plan is approved as being fit for purpose by the Audit Committee. The Audit Committee, which is chaired by a Non-Executive Director of PA, also monitors progress against the plan on an ongoing basis.

Compliance

PA seeks to conduct its business operations in accordance with the highest level of business ethics and in compliance with the applicable governing laws in the jurisdictions where it operates. Compliance is an integral component of corporate governance and is designed to promote full compliance with all applicable regulatory requirements, and to foster and promote ethical conduct by the Company and its employees.

PA's compliance function is within PGB's Risk Monitoring Team at First Line and the Risk Team at Second Line. Management information from both Teams is reported on a monthly basis to the SMT risk forum and quarterly basis to the Board and the RCC.

Actuarial

The purpose of the actuarial function is to provide actuarial support to the SMT and its business and finance functions. Actuarial support includes underwriting pricing support, reserving, capital modelling, planning and budgeting, business analysis, including rate monitoring, statements of actuarial opinion and regulatory filings. Mazars is currently providing actuarial support to PA on reserving, capital modelling and regulatory filings.

B2 Fit and Proper Requirements

The Board of PA is responsible for the appropriateness of appointment of roles requiring Approved Persons, as well as other key roles and PA's policy on this is set out in the Approved Persons Policy Statement and the Senior Insurance Managers Appointment Policy.

EIOPA's Guidelines on Systems of Governance require that the Board should collectively possess appropriate qualification, experience and knowledge about at least:

a) insurance and financial markets;
b) business strategy and business model;
c) system of governance;
d) financial and actuarial analysis;
e) regulatory framework and requirements.

The HR Director for all the PG Companies ensures that PA maintains a Board Skills Matrix detailing the collective qualifications, experience and knowledge of the PA Board members.

The PA Board carries out regular effectiveness reviews and continuing professional development plans are in place updated at least annually. These reviews consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness.

PA processes ensure that all Controlled Function holders, Key Function holders, individuals who perform Key Functions and Notified Non-Executive Directors (NED's) are at all times fit and proper persons.

If any Controlled Function or Key Function is outsourced, PA applies this Fit and Proper Policy in assessing the person(s) responsible for performing that function on behalf of the service provider.

PA designates a person with overall responsibility for the outsourced function who is themselves fit and proper and possesses sufficient knowledge and experience regarding the outsourced function to be able to challenge the performance and results of the service provider.

Any breaches of the Fit and Proper requirements are internally reported to the Head of Risk for the PG Companies, the HR Director of the PG Companies and the Audit and Risk and Compliance Committees. The Head of Risk is responsible for notifying the relevant regulator(s) of the change in circumstances and what remedial action is being undertaken by the company.

The members of the PA Board (shown in General governance arrangement section above) are all PRA/FCA approved persons.

The members of the PA Board are all PRA/FCA approved persons:

Board member	Controlled Function(s) allocated
Mark Winlow	SIMF9 - Chairman
Ken Rooney	SIMF10 – Chair to the Risk Committee
Deborah Rees	SIMF12 - Chair to the Remuneration Committee
Bob Head	SIMF11 – Chair to the Audit Committee
Mark Scanlon	SIMF1 – Chief Executive
Andy Lothian	CF1: Director
Mike Dugdale	SIMF2 – Chief Finance Function SIMF4 – Chief Risk Function SIMF5 – Head of Internal Audit Function SIMF 22 – Chief Underwriting Officer Function

The members of PA's other Committees are also PRA/FCA approved persons:

Executive Committee member	Controlled Function(s) allocated
Ashley Doody	CF1: Director
Rebekah Tapping	CF1: Director
Sarah Mace	CF1: Director

Mike Dugdale manages the outsourced contract with RSM for the provision of internal audit services.

The above individuals possess the qualities required to discharge their respective duties; collectively they are able to provide for the sound and prudent management of PA.

Assessing "Fit and proper"

PA has established processes for ensuring all employees maintain the qualities needed for the effective and prudent operation of the Company. Qualities considered include both professional and technical competence, as well as an assessment of the person against the regulatory and internal "fit and proper" requirements. Professional competence is based on the individual's experience, knowledge and professional qualifications, and also whether the individual has demonstrated due skill, care, diligence and compliance with relevant standards in the area that has been working in. The individual should also be of good repute, and the assessment includes taking relevant references. In addition, psychometric testing is used to gain further insights into the individual both to ensure diverse thinking and team attributes.

PA assesses “fit and proper” requirements on an ongoing basis. This evaluation is performed at least annually and consists of, as a minimum, a performance assessment. PA employees are also expected to abide by the “Code of Conduct”, which sets out standards of ethics and behaviours.

Appointment and oversight

Appointment refers to the framework of delegated responsibilities to individuals within PA. A key component of this is consideration of the PRA/FCA’s Controlled Functions and Key Functions, including those Key Functions that amount to “effectively running the firm”.

PA’s Training and Competency ethos is designed to promote learning and development and to satisfy the PRA/FCA’s requirement of ensuring PA ‘must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.’

PA actively encourages staff to further develop and pursue professional qualifications. Development is the responsibility of each staff member.

As part of the appraisal process, all staff are asked to consider their individual training needs which are supplemented with any training needs their line manager may have identified. This is then discussed as part of the appraisal process and a training plan agreed. Staff will identify specific courses that they wish to attend and in turn will obtain approval from their respective manager.

In addition to the above, all staff who maintain professional qualifications are expected to undertake Continuing Professional Development (“CPD”) in line with their relevant professional body requirements.

B3 Risk Management System

PA employs an ERM framework that has been developed to enable the Board and Senior Management Team to understand and appropriately manage and mitigate the risks associated with PA’s objectives over the short, medium and longer term in a manner that is commensurate with PA’s risk profile and business arrangements.

The ERM framework seeks to engender a culture of no surprises and to ensure adequate tools including capital modelling are available to manage the most important risks to PA, improve decision-making and to support the achievement of PA’s business objectives.

PA’s risk strategy is focused on mitigating the risks of not meeting strategic objectives which are captured and monitored through PA's Risk Register. Risk appetite statements are defined by the Board to set limits on the amount of risk PA should accept or tolerate. The risk appetite is directly linked to business strategy and the principal risks to which PA is exposed. Any changes to business strategy as a result of the strategic review will be reflected in the risk appetite statements as necessary over the planning period. These are a mixture of quantitative and qualitative measures.

Ownership of various risk categories resides with identified individual Executive Directors and Managers.

Group Risk Management Framework

The Group’s risk management framework is designed to allow for the day to day identification, assessment and monitoring of risk. It operates using a classical model, with a “Three Lines of Defence” approach to risk management.

The Risk function provides co-ordination of quantitative and qualitative risk data and analysis and reporting to the Board and/or its committees.

The objectives of PA's ERM Framework are to:

- actively sponsor and foster a risk aware culture across the business, supporting staff in making risk management/based judgements. The culture should encourage effective management of exposures within PA's stated Risk Appetite;
- enable clear articulation and understanding of risk appetites and tolerances relevant to PA;
- encourage effective management of exposures and appropriate risk-reward balance consistent within stated risk appetite and tolerances when taking on risks;
- ensure a clear, coherent risk strategy, policies and standards, including risk appetites and clarity of ownership for risks, is maintained and implemented;
- ensure risk is taken into account in key business decisions;
- ensure that the 'three lines of defence' model operates effectively;
- facilitate an effective system of controls commensurate with the scale and complexity of PA;
- ensure the quality of risk models, data accuracy, capability of available tools are of a sufficient standard to accurately measure risks, and justifications for risk taking can be challenged and monitored on an ongoing basis;
- ensure all limit breaches, deviations from established policies, and operational incidents are thoroughly followed up with proportionate disciplinary actions when necessary;
- enable effective and ongoing oversight of the adequacy capital ensuring that PA maintains adequate liquid resources to meet both planned cash outflows and unexpected cash requirements under stressed conditions;
- implement risk strategies and policies that align with PA's strategic and operational objectives;
- ensure risks and emerging risks are identified and understood and assessed on a forward-looking basis to allow management to take proactive steps; and
- sustain a robust Own Risk and Solvency Assessment ("ORSA") process that informs management's view of risk and capital.

The ERM framework is supported by a comprehensive set of risk policies, frameworks and guidelines to ensure adequate processes and procedures are in place to manage all types of risk which is supported by a comprehensive suite of management information. The framework, as a minimum, is aligned with the regulatory requirements under the Solvency II regime as adopted by the PRA and FCA.

By adopting this approach, PA is able to effectively identify, measure, monitor, manage and report risks at an individual/contract level and at an aggregated level on an ongoing basis.

PA senior management and risk owners identify key risks to the business, as part of a rolling risk identification and assessment programme. Risk causes and consequences, together with mitigating controls, are identified for each risk category. Key risks, owners and mitigating controls are recorded in a Risk Register; which is presented to management on a quarterly basis for review and discussion.

The risks recorded in the Risk Register form part of PA's ORSA process and are used as the basis for the development of PA's internal audit programme. Risk and Compliance and Audit Committees receive regular reports from PA's Head of Risk which consider key risks to PA, aggregations and exposures across the key ERM pillars.

PA's risk function is integrated into the organisation through the governance reporting lines to CEO, Risk and Compliance, and Audit Committees and involvement in key decision making forums. In addition, the risk function's roles and responsibilities include:

- developing, communicating and implementing systems, processes and procedures for the management and evaluation of risk accumulations and providing key risk indicator reports on such;

- working alongside other key control functions (Actuarial, Compliance, external and internal Audit) and ensuring existing control activities and reports are developed into the risk and control reporting framework;
- coordinating with the key internal functions to ensure internal policies, controls and procedures for identifying and managing key risks are documented in sufficient detail to allow for effective compliance, testing and auditing;
- coordinating documentation of the key internal policies, procedures and controls for the management of risks identified in the Risk Register; and
- providing input and challenge into the development of stress and reverse stress tests for PA.

By adopting such an approach, ERM and risk management more broadly are key considerations as part of the decision making process.

Own Risk and Solvency Assessment ("ORSA")

PA carries out an ORSA on at least an annual basis. The ORSA is a key management tool and is linked to PA's business planning and strategy, the risks PA is exposed to and the capital required to mitigate such risks.

The following are the key ORSA processes which are embedded into business operations:

- set and analyse business strategy from a current and future risk strategy;
- update business objectives and business plan;
- review and update risk appetite;
- review and update risk profile;
- assess current and future solvency needs;
- stress and scenario testing;
- management actions; and
- continuous monitoring of solvency needs.

The ORSA is the responsibility of the Board and is regularly (at least annually) reviewed and approved by the Board.

The RCC oversees the ORSA and ensures technical expertise is available to provide input and challenge the ORSA process.

Executive and Senior Management (Risk, Finance and Actuarial) work together in every aspect of the key ORSA processes to provide accurate, complete and appropriate information.

The ORSA forms part of the organisation's risk management framework and is underpinned by the Company's behaviours, ethics and values.

The ORSA process provides PA management with a mechanism to assess the risks its faces and to determine the necessary level of capital required to ensure PA meets its strategic and business objectives. The ORSA is PA's view of its exposure to underwriting and non-underwriting risks and its solvency position and documents how PA has reached its conclusions. The ORSA aims to assess, in a continuous and forward looking manner, the overall solvency needs of PA, whilst being mindful of its risk profile and business environment.

The ORSA process considers PA's own solvency assessment given its risk profile, business objectives and capital management strategy against its regulatory solvency requirement in order to determine whether additional solvency cover is required. The ORSA also considers the impact on PA should it be subject to significant losses arising from both insurance and non-insurance events; against such extreme events, the ORSA considers what actions PA management would undertake to mitigate the impact of such events. Furthermore, as part of the ORSA process, PA considers the amount of capital it should maintain to meet its contractual liabilities. 100% of the Solvency Capital

Requirement ("SCR") amount is adequate to cover the PA contractual liabilities over a one year horizon, however the risk appetite of the Board is to maintain the Solvency Ratio in excess of 200%,

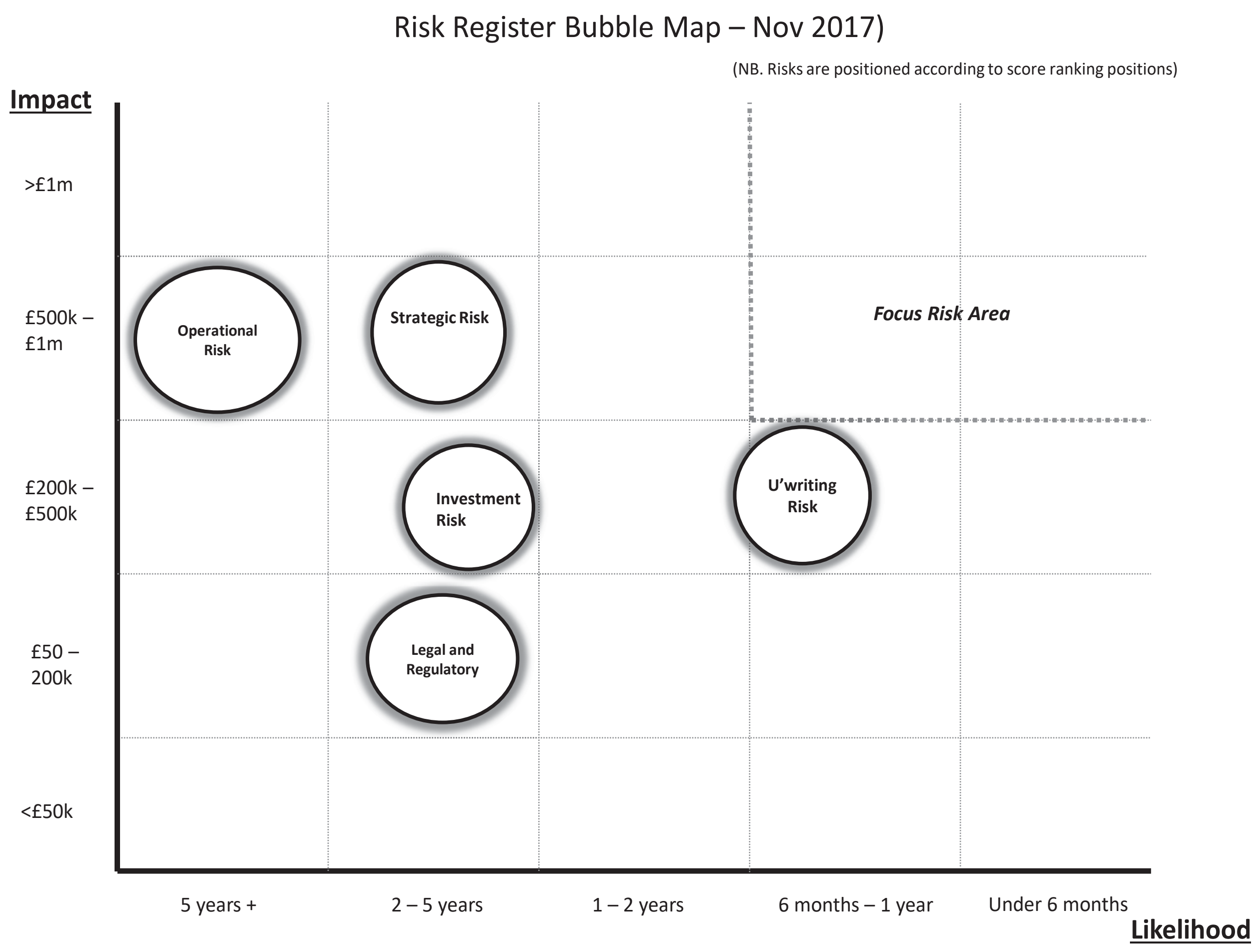
The risks PA has identified it is exposed to are:

- Operational risk
- Strategic risk
- Underwriting risk
- Failure to meet legal and regulatory requirements
- Investment risk

Each risk is controlled (in part) by a Policy which, where applicable, carries a statement of risk appetite in addition to the high-level risk appetite statement.

Over the last 12 months there has been no change in the PA's appetite for, or tolerance of, risk and none is forecast.

PA's **current risk profile** can be summarised into the diagram (Diagram 2) below:



PA's risk profile is captured in an internal Risk Register, discussed and challenged by the SMT each month. The output is minuted and forms the input to the

- monthly Board meetings, where challenge may be made; and to the
- quarterly RCC meetings where challenge may be made.

A re-run of the ORSA will be triggered by actual or anticipated material changes in appetite or exposure to any individual risk. A material change for PA is defined as a materialised risk impact or changes to business model which will reduce the Solvency Ratio below 200%, the level of coverage required by the Board.

The SMT continues to review the business and to ensure that there are no material risks which impact capital requirements and execution of business objectives.

B4 Internal Control Systems

Within PA, there is a robust internal control system that includes:

- three lines of defence corporate governance framework, procedures and controls;
- a financial control framework;
- independent control functions which comprise of the Actuarial, Compliance and Risk Management functions; and
- independent assurance provided by the internal audit function.

PA adopts the 'Three Lines Of Defence' model as its risk governance operating model. PA has an established a system of internal controls to mitigate the risks it faces. The system comprises detailed policies and procedures to ensure an adequate degree of risk oversight across the business.

The principle of this model is that there are three layers of protection, as explained below:

First Line – Risk Ownership and Risk Management: This is the day to day management of risk and is delegated from the PGH Board to the CEO and through him to his direct reports, managers and staff within the business. The First Line is responsible for identifying, establishing, maintaining and monitoring controls to manage the risks that the Group faces.

Second Line – Risk Oversight: This function (embodied in the Risk Department) is responsible for:

- setting up and operating the risk management framework and determining (with the approval of the Board) the Policies that the Group will follow;
- providing oversight and challenge to the First Line via monitoring and auditing activity, the gathering of Key Risk Information ("KRI") data and reporting significant trends and deviance from appetite appropriately; and
- ensuring that the business has sufficient information to respond to changes to the risk environment in a timely way;
- coordinating effort in the management of risk; and
- enhancing the quality of information provided to Senior Management.

Third Line – Independent Assurance: The Group internal audit function (currently outsourced to RSM) provide an independent assessment to the board of processes and controls, including the effectiveness of the Second Line function risk management framework.

B5 Internal Audit Function

Internal Audit is an independent function which provides objective challenge and assurance over PA.

The day-to-day activities of PA's Internal Audit function are outsourced to RSM and are supervised by Mike Dugdale, CFO, who is registered as PA's Senior Insurance Management Function ("SIMF") holder for Internal Audit.

The Internal Audit function supports PA in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

It adds value and contributes to the achievement of business objectives through aligning its activities with PA's most important areas of work; covering a suitably broad range of risks, activities, processes and projects in order to be able to provide a robust assurance opinion; and providing structured advice in response to management requests.

Its role is to:

- undertake a comprehensive programme of internal audit activities which support PA; Rolling three year audit plans are submitted annually to PA's Risk and Compliance and Audit Committees for approval;
- examine and evaluate the adequacy and effectiveness of systems of risk management and control across the entire business;
- provide reasonable assurance that controls are being identified and managed and that controls are co-ordinated effectively;
- provide timely input on controls over significant change projects.

RSM report their findings directly to the Audit Committee of the Group Board which is chaired by a Non-Executive Director. Mike Dugdale, in his role of SIMF for the Internal Audit Function, attends the meetings and takes instruction from the Committee accordingly. As a result, independence and objectivity are maintained.

An update on the internal audit function is a standing agenda item at both Risk and Compliance and Audit Committee meetings where outstanding internal audit actions are also tracked and progress reported.

In addition to reporting into PA's Audit Committee, the Internal Audit function holds regular meetings with PA's Head of Risk to evaluate the effectiveness and adequacy of the internal control system and other areas of governance, as well as to discuss progress against the annual internal audit plan.

B6 Actuarial Function

The CFO, Mike Dugdale, is responsible for the overall management and day-to-day leadership of PA's Actuarial function and has a direct reporting line to the CEO of PA, Board and other committees.

The major responsibilities of the actuarial function include:

1. Analysing submissions and providing pricing support to underwriting;
2. Monitoring results and performing profitability analyses;
3. Assessing the adequacy of the gross and net held reserves;
4. Assisting in the preparation of various financial statements;
5. Developing, maintaining, and implementing regulatory capital requirements
6. Providing an opinion on underwriting decisions and pricing; and
7. Review of reinsurance arrangements.

The Actuarial function reports to CFO and to the Board as a standing agenda item. In addition, an annual internal Actuarial Function Report is provided to the Board.

Reserve risk is one of the key drivers of PA, and it is the responsibility of the CFO supported by external actuarial expertise to establish reserves and thereby manage reserve risk. PA's process of assessing the gross and net held reserves is divided into the following:

- A semi-annual reserve study which back tests the reserves held at 31 December each year to ensure adequacy and accuracy alongside an Annual review of the IBNR provision for developed years to ensure adequacy. Due to the short tail nature of the business this can be assessed within the first few months of development; and
- Periodic review by the Risk Team that the agreed methodology of setting reserve levels is being followed.

PA's Actuarial function has been supported by Mazars LLP in the UK since September 2016. Mazars, the actuarial consultancy firm, who provide support to PA with the preparation of Solvency II technical provisions and Solvency II Capital Requirements ("SCR").

B7 Outsourcing

PA outsources the internal audit function

The purpose of PA's outsourcing policy is to ensure that all outsourcing arrangements involving any material business activities entered into by PA are subject to appropriate due diligence, formal approval and on-going monitoring and oversight. The Board is comfortable that any outsourced functions do not materially increase risk to the Company or materially adversely affect its ability to manage its risks and meet its legal and regulatory obligations.

PA has adopted the definition of "outsourcing" included in the Solvency II Directive, being:

- An arrangement of any form between an insurance or reinsurance undertaking and a service provider, whether a supervised entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurance or reinsurance undertaking itself.

In addition, PA has adopted the following definition of "material outsourcing", defined by the PRA as:

"…outsourcing services of such importance that weakness or failure, would cast serious doubt upon the firm's continuing satisfaction of the threshold conditions or compliance with the Fundamental Rules and similarly defined by the FCA with regard to satisfaction of the threshold conditions and compliance with the Principles for Businesses."

Material outsourcing are defined as the delegation of underwriting, the granting of claims handling authorities and the outsourcing of the performance of any control functions or other key functions.

A function is regarded as critical or important if *"a defect or a failure in its performance would materially impair the continuing compliance of a … firm with the conditions and obligations of its authorisation, its obligations under the regulatory system, its financial performance, or the soundness or continuity of its relevant services and activities."*

Material outsourcing does not include the use of professional services in the normal course of business, including legal and accountancy services, external auditors, claims adjusters, training of staff, recruitment agencies or office security services. Material outsourcing also does not include the provision of standardised market services, for example market information services.

The following key risks are associated with outsourcing and, in particular, with material outsourcing:

- breach of contractual requirements
- inadequate or insufficient execution of the outsourced arrangement
- outsource failure (both operational and financial) and the associated reputational risk.

PA will not enter into any material outsourcing arrangement which could:

- materially impair the quality of PA's system of governance;
- unduly increase PA's operational risk;
- impair the ability of the PRA or FCA to monitor the compliance of PA with their respective obligations; or
- undermine continuous and satisfactory service to PA's clients.

Although outsourcing may result in day-to-day responsibility for a business activity resting with the service provider, PA remain fully responsible for discharging their respective regulatory and legal requirements and having effective processes to identity, manage, monitor and report risks and maintain robust internal control mechanisms.

Where a key function is outsourced, a PA person with overall responsibility, sufficient knowledge and experience is identified regarding the outsourced function to be able to challenge the performance and results of the service provider.

The administration and sales of insurance policies are dealt with by PAS and PGB respectively, these relationships are not formally outsourced but operate under ToBA's with these other group companies.

B8 Any other information

There is no other information to disclose.

C Risk Profile (unaudited)

Personal Assurance Plc (“PA”) maintains a risk management framework that defines the risks that PA is in business to accept and those that it does not, together with the material business risks that PA needs to manage and the framework and standards of control that are needed to manage those risks.

PA has established some internal controls, and continues to develop others, to manage material business risks in its key areas of exposure. PG’s core business involves the provision of an employee benefits programme supported by the underwriting of insurance risk, for example, hospital plan, death benefit plan, accidental death and dismemberment plan, convalescence plan, income protection and the management of risks associated with this activity.

The key risk category PA is exposed to is:

- Underwriting risk as indicated in the capital break down table below, and
- Other financial and non-financial risk (credit risk, market risk, liquidity risk, operational risk, strategic risk (incorporating reputational risk) and Group risk.

Risk management and Internal controls systems are designed, to provide reasonable assurance that the assets of PA and the Group are safeguarded, insurance and investment exposures are within desired limits, reinsurance protections are adequate, counterparties are subject to appropriate assessment and customers are treated fairly.

As at 31 December 2017 the capital requirements based on risk areas were as follows:

Capital Components	2017	2016
	GBP £000's	GBP £000's
Market Risk	425	293
Counterparty Default Risk	1,312	1,415
Non-life Risk	-	-
Life Underwriting Risk	-	-
Health Underwriting Risk	4,342	4,630
Total	**6,078**	**6,338**
Less: Diversification	(1,098)	(1,076)
BSCR	**4,980**	**5,262**
SCR Operational	738	764
Adjustment - LADT	(1,087)	(1,205)
SCR	**4,632**	**4,821**
MCR	**2,196**	**2,251**
SII Own Funds	**12,046**	**12,563**
Excess over SCR	**7,414**	**7,742**
Excess over MCR	**9,850**	**10,312**

C1 Underwriting Risk

The underwriting risks to which PA is exposed include:

- the reduction in premium income should a large client fail or be lost to a competitor; and
- the impact of a change in taxation, particularly Insurance Premium Tax.

Reserving risk

- reserve risks, including inadequate reserving due to flaws in the provisioning/reserving methodology or in the application of the methodology, inadequate Incurred But Not Reported ("IBNR").

Underwriting risk is effectively monitored and regularly managed through:

- the client acquisition approach (including due diligence arrangements) adopted by intra-group companies which introduce business to PA.
- continuous monitoring and adjustments to the selling price for new and legacy business.

Reserve risk is effectively managed through key controls include:

- a comprehensive annual reserve study;
- semi-annual reserve review;
- Validation of reserves has been completed for the 2017 SFCR by Mazars.

Risk sensitivity for underwriting risks

PA undertakes detailed stress and scenario testing as part of its ORSA process with the results presented at the Risk and Audit committee.

As part of the ORSA process, the solvency position and the projected solvency position over the business planning period have been calculated following adverse stresses at different return periods for the material underwriting risks (each risk's stress is considered individually) in addition to multiple losses arising from non-correlating events (e.g. sensitivity of PA's solvency position to premium volumes, changes to market conditions, further IPT increases).

The results of the analysis showed that the most material impact on the SCR arose from an extreme stress considering loss ratio doubling on average over all classes. The analysis undertaken indicates PA is strongly capitalised and it would take an extreme event (in excess of 1-in-200) to breach the SCR and therefore PA's underwriting risk profile was assessed to be resilient to withstand severe shocks and is within the Board approved risk appetite.

C2 Market Risk

Market risk is the risk of loss or of adverse change in PG's financial situation arising, directly or indirectly, from fluctuations in the level and volatility of market prices of assets or income from assets and financial instruments. Market risk arises from movements or volatility in interest rates, equity prices.

PA reviews, at least annually, the investment strategy which is based on four key principles:

1. preserve capital;
2. increase surplus;
3. maintain liquidity; and
4. optimise after tax total return on investments, subject to (1)-(3) above.

Most of the funds are kept in cash with a number of banks. Equities are a relatively small part of the overall value of investments. The management of the equity portfolio and by extension the management of the risk of equity devaluation is carried out by a third-party investment management company. The quarterly reports of whom are reviewed by the PA management team to ensure that outcomes are meeting expectations which are based on the movement of the FTSE indexes.

The equity value is split across 34 (2016: 33) different listed entities, of which no single investment totals more than 6% (2016: 6%) of the equity portfolio. The total equity portfolio makes up 7% (2016: 4%) of the Companies Solvency II assets.

PA is not exposed to currency risk and has minimal exposure to interest rate risk on its fixed term deposits.

Stress and sensitivity tests

PA carries out stress and scenario testing as part of the ORSA process.

For the 2017 ORSA, the solvency position and the projected solvency position over the business planning period were re-calculated following adverse stresses, including a 50% reduction on the overall equity investments. Since equity investments are a relatively small proportion of funds, the analysis indicated that PA was strongly capitalised and was able to withstand adverse equity shocks, without breaching its SCR.

Prudent Person Principle applied to market risk

When making investment decisions, PA considers the risks associated with the investments, including the potential impacts of any economic shock, their liquidity and their admissibility under the Solvency II rules.

All assets, in particular those covering the MCR and the SCR, are invested in highly rated and liquid assets (such as cash deposits with banks), with ratings of BB or higher. PA does not use derivative instruments nor hold assets that are not admitted to trading on regulated financial markets. Assets are managed in such a way as to limit excessive reliance on any particular asset, issuer or group of undertakings, or geographical area that would represent an excessive accumulation of risk to the portfolio as a whole.

C3 Credit Risk

Credit risk is the risk of loss or of adverse change in PG's financial situation, resulting from fluctuations in the credit standing of counterparties and any debtors to which PG is exposed.

Credit risk is assumed whenever PA is exposed to a loss if another party fails to perform its financial obligations to PA, including the failure to perform them in a timely manner. In our case, credit risk may arise from the potential default of banks with whom we keep our cash balances. The credit ratings of the banks is closely monitored.

PA maintains a diversified strategy resulting in the spread of funds over multiple banks and the process of monitoring and reporting weekly cash position to the CFO and CEO. The increase in counterparty risk in the year has been driven by a deterioration of credit ratings of major banks used.

PA has further mitigated the potential counterparty default risk by splitting cash deposits across 10 (2016: 9) different banks with no bank making up more than 18% (2016: 19%) of the total amount on deposit. Cash and Cash Equivalents make up 66% (2016: 66%) of the Companies Solvency II assets.

Management review the spread of money between financial institutions by reference to risk, return and upcoming cash requirements.

PA's credit risk management strategies outline the credit rating requirements for its investments. Adherence with this ensures investments are selected in a way that enables the effective management of the risk of counterparty default to an acceptable level in line with PG approved risk appetite and tolerances.

Stress and sensitivity tests

PA carries out stress and scenario testing as part of the ORSA process.

The analysis highlighted that the diversified investment strategy despite the potential default of a bank where PA holds cash deposit will not lead to SCR breach at any point within the 3 year business plan period.

PA risk management and investment management processes have introduced proactive measures to ensure that cash is moved at an early stage from the banks where the credit rating deteriorate outside the risk appetite.

Prudent person principle applied to credit risks

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and PA ensures only counterparties with a high enough credit rating are used. PA does not rely on a single rating agency, rather seeking to use a number of agencies. PA seeks to avoid excessive counterparty exposures.

Receivables

A smaller proportion of counterparty risk relates to amounts due from customers. This is considered to be of low risk as the receivables are taken via payroll deduction from the employee and sent to PA in the subsequent month.

There are 468 (2016: 453) companies that owe PA money at year end, of which the average amount due is £6,500 (2016: £7,300) and the largest single amount due is £443,000 (2016: £473,000). Insurance and Intermediary Receivables make up 17% (2016: 15%) of the Companies Solvency II assets.

Credit risk relating to premium collection is deemed to be minimal due to the method of collection via payroll deduction. Only a small percentage of the premiums are collected via direct debit with the bulk of the balance being collected from companies via payroll deduction, there is very little history of non payment through this method of recovery. Recoverability of the premium debtors is reviewed on a monthly basis.

C4 Liquidity Risk

Liquidity risk is the risk that, though adequately capitalised, PA has insufficient financial resources, or is unable to realise investments and other assets, to meet its obligations as they fall due, or can do so only at excessive cost.

As the majority of PA's assets are held in short term deposits, the Board believe liquidity risk to be easily manageable.

Liquidity risk monitoring and cash flow forecasting is a key management tool that is performed on an ongoing basis through weekly cash reports.

Stress and scenario testing

PA has carried out stress and scenario testing as part of its approach to managing liquidity risk. Results have been reviewed by the board. PA does not consider liquidity to be a material risk for PA.

Prudent person principle applied to liquidity risks

The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. PA manages its liquidity risk by maintaining a diversified liquid investment portfolio fit to it business model.

Expected profit included in future premiums ("EPIFP")

The EPIFP as at 31 December 2017 is £349K (31 December 2016: £383K) which includes expected profit commissions and any reinsurance recoveries.

C5 Operational Risk

Operational risk arises largely from failed internal processes including the potential for fraud facilitated by the employees and/or systems employed by intra-group companies.

Operational risk is diverse in nature and permeates all business activities but remains a distinct form of risk in its own right. Operational risk within PA has been divided into the following key operational risk areas:

- regulatory and legal risks - the risk of legal or regulatory sanctions or loss caused by a failure to comply with applicable laws, regulations, internal policy and standards of best practice;
- financial crime, including internal and external fraud – this is the risk that the firm might be used to further financial crime;
- financial & accounting – these are the risks associated with financial reporting and integrity of the financial information;
- people risk – this is the risk that people do not follow PA's procedures, practices and/or rules, thus deviating from expected behaviour in a way that could damage PA;
- business continuity management – the risk associated with the failure to appropriately manage unforeseen events;
- processing failures, including IT system failures; the risks associated with IT systems;
- model risk; - the risk that the output from the models used by PA is incorrect or flawed due to errors in the design or operation or management's failure to understand the limitations in the output of the models;
- outsourcing; failures relating to the outsourcing of key activities; and
- external events and other changes; failure to react to changes in the external business environment.

It is managed by the systems and controls operated by the same intra-group companies.

PA Board receives information as to their effectiveness via the Group's Risk and Compliance Committee.

Quarterly, PA's directors and senior managers identify the key risks, causes and consequences together with relevant mitigating controls, within their function/ span of control, on an ongoing basis.

The results of the assessment are recorded in PA's Risk Register and reviewed by the Senior Management Team and Risk and Compliance Committee. PA maintains an Operational Risk policy that sets out PA's approach to mitigating risks arising from Operational Risks.

PA has no appetite for behaviour at any level which could compromise the effective operation of the business model, whether through inadequate or failed internal processes, failure of systems or poor capability of staff.

PA is reliant upon other firms for the provision of administrative services, such as the issuing of policy documents, reconciliation of payments received. The risk is limited as the provider is an intra-group firm with the same ultimate Parent, aims and values.

Key Controls

Key controls that aid in mitigating this risk include (but not limited to):

- Risk & Audit Committee oversight;
- policies and procedures, including the Group's Code of Conduct;
- service level agreements;
- purchase of insurances; and
- underwriting audits performed by internal audit.

PA does not have any material concentrations to operational risk.

On an ongoing basis, PA carries out stress and scenario testing as part of its approach to managing market risk. Results are presented quarterly at the Risk & Compliance Committee and considered as part of the ORSA process.

For the 2017 ORSA, the solvency position and the projected solvency position over the business planning period were re-calculated following adverse operational risk stresses. Under all of these scenarios, the analysis indicated that PA was strongly capitalised and was able to withstand these events without breaching its SCR.

C6 Other material risks

Regulatory Risk

Regulatory risk arises from the failure to meet regulatory standards such as adequate PI insurance, sufficient capital, and appropriate conduct standards.

The risk is managed by the risk function of the Group and the effectiveness of the management is reported both directly to the PA Board via the Group Risk & Compliance Committee.

Group Risk

As a wholly owned subsidiary of a large group, there is a risk PA could be adversely affected by the actions of another company within the group. Should such an event arise PA is able to rely on its own unencumbered capital.

Risk Diversification

Intra-group companies have set a target that a minimum of 19% of its year-on-year insurance-related business will be generated from clients it has not previously worked with. By placing less reliance on existing business, it dilutes the exposure to risk across a larger pool of customers and mitigates the risk that PA could lose a significant amount of its income from a small number of lost customers. Performance against this target is reported daily via the sales force activity dashboard, internally known as the EEE-dashboard, and weekly management information, internally known as the weekly Health Check, to the CEO.

Emerging Risk

Emerging risks arise mainly from:

- Changes in regulation and law;
- Changes in technology;
- Environmental changes; and
- Changes in our market place.

Looking at each in turn:

- Changes in technology allows patients to be treated remotely by the use of high-tech equipment. As such the need for outpatient appointments may decrease and undermine the current value of the Personal Group Hospital Plan.
- If the working age increases as state pension ages rise, there could be greater demand for insurances by the older population, or more claims by older workers who would previously have been retired. It could impact the relevance and profitability of our products.
- The increase in cyber-crime is acknowledged within the financial services sector to be a rapidly growing risk.

Although each of the above is known to be risks they have not been quantified or used to stress current data. This will be developed over the coming months with the Pillar II calculations.

Acceptability of Material Risks

The monthly **SMT Risk Report** is produced following a review by the Risk Team of the latest risk issues or 'hot spots' affecting the business. The report is reviewed and challenged as an agenda item during the SMT Risk Forum held on a monthly basis. Any resultant actions are captured in the Minutes and completed by the owner/s.

The **Risk & Compliance Report** reflects the outputs from SMT discussions and additional information on issues/events and monitoring outputs including a Treating Customers Fairly ("TCF") dashboard. This report is reviewed/approved by the Board on a monthly basis and the Risk & Compliance Committee on a quarterly basis. The output from the Risk and Compliance Committee is minuted and actions captured for completion by designated owners.

The **Risk Dashboard** shows the current and residual risk positions of each risk and is used to monitor risk movement progress for the Board.

C7 *Any Other Information*

PA does not consider there is any other material information to disclose on its Risk Profile.

D Valuation for Solvency Purposes (audited)

D1 Assets

PA's Solvency II assets and liabilities are presented on a market basis consistent with the "fair value" accounting concept. The Company prepares its statutory financial statements in accordance with UK GAAP standards. Full details of the basis for the preparation of the Company's financial statements, critical accounting estimates and judgements and key accounting policies are set out in the publicly available financial statements.

UK GAAP valuation is used where consistent with Solvency II's market consistent basis. Assets and liabilities measured at cost or amortised costs in the Company's financial statements have been revalued to market value. Solvency II also requires specific valuation approaches for some assets and liabilities, which have been followed.

PA exercises judgement in selecting each of its accounting policies and follows a consistent approach in selecting its valuation approaches for Solvency II.

The following sections describe the valuation approaches used by the Company for valuing its assets and liabilities. The Solvency II Balance Sheet categories shown in this section are based on the format used for reporting on S.02.01 (Balance Sheet template), and account items in the Company's trial balance are mapped to the various line items of this template. Technical Provisions (BEL and Risk Margin) are shown as reported in S.17.01.

The material classes of assets shown on the Company's Solvency II Balance Sheet, their Solvency II values and corresponding values shown in the Company's financial statements (all in GBP) are summarised in the table below.

Asset Type	FRS 101 Valuation	Solvency II Valuation	Solvency II reference	Recognition method
Deferred Acquisition Costs	£57K	-	R0020 – Deferred Acquisition Costs	Removed in line with removal of unearned premiums
Deferred Tax Assets	£45K	£140K	R0040 – Deferred tax assets	In line with FRS 101 valuation plus an adjustment for DT on transfer of net assets from UK GAAP to Solvency II
Plant & Equipment held for own use	£139K	£139K	R0060 – Property, plant & equipment for own use	Fair value and cost less accumulated depreciation are immaterially different
Equities – Type 1 Non – Strategic	£801K	£801K	R0110 – Equities – Listed	Valued in line with quoted prices
Bank Deposits	£5,396K	£5,396K	R0200 – Deposits other than cash equivalents	Valued in line with FRS 101, all balances are on 6 month terms or less and so there is no discounting adjustment required.

Reinsurance – Health similar to life	£180K	£30K	R0300 – Reinsurance Health Non Similar to Life	Revalued in line with changes to technical provisions under Solvency II
Insurance & intermediaries receivables	£3,148K	£2,553K	R0360 – Insurance Intermediaries Receivable	Removal of unearned premiums
Receivables (trade not insurance)	£513K	£14K	R0380 – Receivables (trade not insured)	Value is taken from the financial statements, which are in accordance with FRS101. Management do not believe that fair value deviates from amortised cost for those balances included within the SII value. Prepayments are valued at nil.
Cash & Cash Equivalents	£4,629K	£4,629K	R0410 – Cash and Cash Equivalents	Valued in line with FRS 101
Any other assets	£1,445K	£1,445K	R0420 – Any other assets, not shown elsewhere	Includes intercompany assets and is valued in line with FRS 101
Total	£16,353K	£15,147K		

There have been no changes in valuation basis of the assets above in the reporting period.

The following sections provide further details on the specific valuation policies that the Company has applied to produce its Solvency II Balance Sheet.

Financial Instruments

Recognition and derecognition of investments

A financial asset is initially recognised on the date the Company becomes committed to purchase the asset. A financial asset is derecognised when the Company's rights to receive cash flows from the asset have expired or where the risks and rewards of ownership have been substantially transferred by the Company. For financial statements accounting purposes, the Company classifies financial assets into one of the following categories: financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets. For financial instruments classified in categories that require them to be measured at their fair value at the reporting date, fair value is determined with reference to the quoted market bid prices, or by using an appropriate valuation model. For Solvency II, all financial investments are valued at fair value.

Fair value of investments

The fair value of a financial instrument is the amount that would be received to sell an asset or settle a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date.

The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments traded in other-than-active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An active market is one in which transactions for the asset being valued occurs with sufficient frequency and volume to provide pricing information on an on-going basis. All equities are directly observable due to their listing on a primary stock exchange in the UK.

Valuation differences between the Solvency II and UK GAAP balance sheets

Solvency II requires a hierarchy of valuation methods to be applied to value assets and liabilities on the Solvency II balance sheet.

The Company considers its policy on the fair value of investments to be consistent with the hierarchy of valuation methods required for Solvency II. Accordingly, the valuation policy on fair values is applied consistently between the Company's Solvency II reporting and its statutory financial reporting.

Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand and on demand deposits with banks.

(Re)insurance and Intermediary Receivables

Insurance receivables are recognised when due. These represent amounts due from insurance contract holders and are recognised at the amount expected to be received when due. Due to the short-term nature of the company's receivables, amounts are not discounted.

The presentation of insurance receivables on the Solvency II balance sheet differs from the Company's statutory financial statements as the insurance receivables not yet due which are included within the insurance receivable in the financial statements are excluded from the Solvency II balance sheet. The total value of the amount deducted is £595K.

Reinsurance recoverables on the Solvency II balance sheet represent the value of the reinsurance technical provisions which is £143k lower than the recoverable amount shown in the financial statements.

Other Receivables (Trade not Insurance)

Other receivables are recognised when due and are valued at the amount expected to be received or paid. Due to the short-term nature of the company's other receivables and payables, amounts are not discounted.

The valuation and presentation of the Company's other receivables is consistent with the treatment for the Company's external financial reporting.

Deferred Tax

The Deferred tax balance recognised under UK GAAP, which remains in the Solvency II valuation, is in respect of future share options for senior staff.

Further deferred tax balances (other than in respect of the carry forward of unused tax credits and unused tax losses) are determined by reference to the difference between the Solvency II Balance Sheet and the values ascribed for tax purposes.

The reconciliation of the adjustment made to DT for the movement between the financial statements and the Solvency II balance sheet is as follows:

Category	Financial Statements Value	Solvency II Value	Difference	DT Impact @19%
Assets before DT adjustment	£16,353K	£15,052K	£1,301K	£247K
Liabilities	(£1,911K)	(£1,823K)	(£88K)	(£17K)
Technical Provisions	(£1,989K)	(£1,278K)	(£711K)	(£135K)
Total	£12,453K	£11,951K	£502K	£95K

Other Assets

Other assets includes £1,445K of intercompany assets.

The valuation and presentation of these receivables is consistent with the treatment under UK GAAP.

D2 Technical Provisions

GAAP Accounts

The provision for claims represents the gross estimated liability arising from claims episodes in the current and preceding financial years which have not given rise to claims paid. It is estimated based on current information, and the ultimate liability may vary as a result of subsequent information and events. Adjustments to the amount of claims provision for prior years are included in the Profit and Loss in the financial year in which the change is made.

Solvency II

Technical provisions by line of business: As at 31 December 2017

Line of Business	Best Estimate	Risk Margin	Reinsurance
Medical Expense	£953K	£325K	
Income Protection	(£8K)	£8K	(£30K)

Technical provisions by line of business: As at 31 December 2016

Line of Business	Best Estimate	Risk Margin	Reinsurance
Medical Expense	£1,446K	£333K	
Income Protection	£116K	£25K	(£159K)

The Best Estimate of Liabilities ("BEL") calculation is based on adjusting the statutory claims reserves and other line items into a Solvency II compliant provision. Some items of the BEL are not included within the statutory balance sheet and so these items have to be considered in addition to what is already present.

The valuation of the provision for claims outstanding is estimated by using a Chain Ladder method and the main assumption underlying this technique is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. The chain and ladder method anticipates that 97.9% of claims will be paid within 1 year of the incident, as a result no discounting has been applied to the claims provision.

For unearned business, the Unrealised Premium Reserve ("UPR") from the statutory accounts is replaced by the profit less claims expected on the unearned premiums. The loss ratio used for this is the average of the previous three years. PA policies are monthly/weekly in duration rather than annual. This value is included as part of the premium provisions relating to incepted business within the technical provisions workings.

There is also an allowance for claims related to Bound But Not Incepted ("BBNI") contracts. This is calculated in the same manner as the in-force business, by applying the loss ratio to the premium. This is included within the premium provisions for unincepted business.

Future premium income is accounted for in the Technical Provisions calculation. This is the amount of all future premiums not yet received by PA. This related to both incepted and unincepted business.

PA calculate the provision for "Events not in the Data" ("ENID") by using an exposure based approach. As the policies are short term then any event is likely to be known by the time the reporting is due. There are some exposures which are still outstanding at this point so these are taken as the exposure base.

PA have limited reinsurance in place. The reinsurance recoverable claims are calculated on the same basis as the gross results with the reinsurance agreement applied. It is assumed that there are no recoverable on events not in the data losses.

As part of the technical provisions calculation a reserve is set up for future expenses relating to the current bound business. The length of exposure of this business and the tail length of claim is limited. An assumption of 21.76% (2016: 20.47%) of premiums is taken. This is the ratio of administration expenses vs earned premium in the statutory accounts. Administration expenses in this context include salaries and all operational overhead

Given that nearly all claims are run off after a year and the weekly/monthly term of the policies, the impact of discounting is assumed to be zero in line with Solvency II guidance.

All calculations are performed for hospital plan and income protection separately. The results are fed into Solvency II classes 13 and 14 for reporting purposes.

Risk Margin

The following risks projected within the Risk Margin:

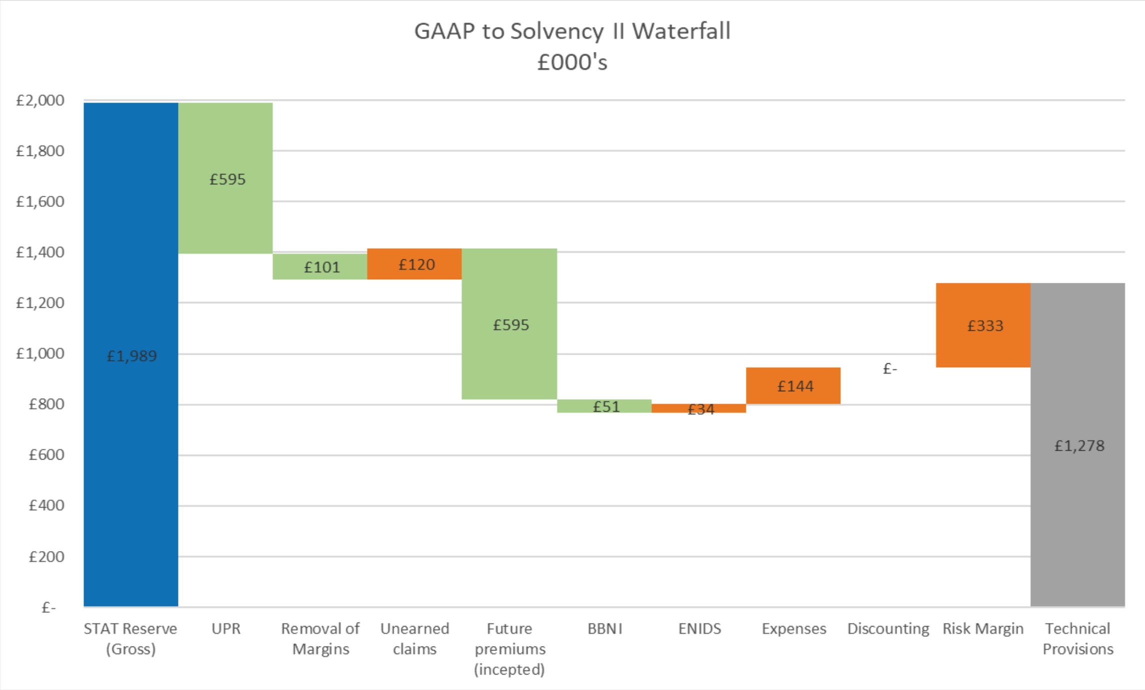
Underwriting risk (i.e. premium and reserve risk, lapse risk and catastrophe risk) across all the business lines, counterparty default risk, and the operational risk and cat risk are used for the calculation of risk margin.

Simplification: the whole SCR is used for each future year for each risk sub module. The SCR will proportionally decrease based on the run-off pattern of net claims payment. The assumptions on which the risk profile linked to the obligations is considered unchanged over the years. This corresponds to simplification number 2 contained within the EIOPA Technical Specification TP 5.32. At each annual point the sections of the SCR which are used to calculate the risk margin are multiplied by the 6% cost of capital in SII guidance and then discounted using the prescribed yield curve.

Discount rate and discounting: The projected charges are discounted by the term structure of a relevant currency yield curve as at the valuation date. The yield curves by currency are published by EIOPA and disclosed in the EIOPA website. The starting point of the projection of the SCR is the day one SCR, this is projected annually into the future

Allocation of the risk margin to lines of business: The risk margin is treated in aggregate and not allocated to the lines of business as part of the overall calculation. For reporting purposes the risk margin is allocated to each line of business in proportion to the Technical Provision

The following is a waterfall diagram detailing the changes that have been made to convert the GAAP accounting reserve into the Solvency II Technical Provisions:



The following are the adjustments made to convert the GAAP accounts figures to technical provisions:

Claims Provisions – The Claims Provisions as at 31 December 2017 are £1,305k (31 December 2016: £1,864k) and is part of the £1,989k (2016: £2,760k) that makes up the STAT Reserve.

UPR – This amount of £595k (2016: £814k) is removed from the stat reserve and relates to the full value of unearned premiums.

Removal of margin – This amount of £101K (2016: £nil) is added back. The chain ladder provision used in the financial statements includes a 20% margin whereas industry standard is 10%. In order to ensure comparability this element of the margin has been added back.

Premium Provision on claims – The premium provision on claims is determined to be £120k (2016: £209k). This is the expected claims pay-out on unexpired risks.

Future premiums – the future premiums receivable from policy holders is £595k (2016: £784k).

The net impact of adding BBNI business is to decrease provisions by £51k (2016: £57k) after allowing for all claims, expenses and premiums on this business.

Events not in data loading – The allowance for events not in the data has been estimated to be £34k (2016: £62k).

Run-off provision – The change in expenses from the figure reported in the statutory financial statements is £144k (2016: £187k). This is to make an allowance for the length of time that expenses would be run-off for and the underlying expense inflation.

Discounting – The reduction in the technical provisions used to discount the figures to present value is £nil owing to the short tail of the liabilities.

Risk Margin – The risk margin has been considered to ensure that the value of the technical provisions is equivalent to the amount that would have to be to a third-party insurer in the event of a takeover. The risk margin is £333k as at 31 December 2017 (£358k as at 31 December 2016).

Level of Uncertainty

Whilst there will always be a degree of uncertainty regarding any potentially undisclosed events the nature of the majority of the business being short tailed simple medical insurance cover with a long track record allows the board sufficient comfort over the accuracy of the calculation.

D3 Other Liabilities

Liability Type	UK GAAP Valuation	Solvency II Valuation	Solvency II reference	Recognition method
Deferred tax liability	£27K	£27K	R0780 – Deferred tax liabilities	Valued in line with FRS 101
Reinsurance Payable	£121K	£33K	R0830 – Reinsurance payables	Valued in line with FRS 101 less value of unearned premiums ceded
Payables (trade, not insurance)	£1,763K	£1,763K	R0840 – Payables (trade, not insurance)	Valued in line with FRS 101
Total	£1,911K	£1,823K		

Deferred Tax

Deferred tax balances (other than in respect of the carry forward of unused tax credits and unused tax losses) are determined by reference to the difference between the Solvency II Balance Sheet and the values ascribed for tax purposes.

Deferred tax balances are recognised in respect of timing differences between depreciation and capital allowances in respect of fixed assets.

Reinsurance Payables

Payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Payable are recognised at the amount expected to be received or paid when due. Due to the short-term nature of the company's reinsurance payables, amounts are not discounted.

The presentation of reinsurance receivables and payables on the Solvency II balance sheet differs from the Company's statutory financial statements, since reinsurance receivables and payables for financial reporting purposes include premiums and claims which are included in Technical Provisions in the Solvency II Balance Sheet.

Payables (trade, not insurance)

Other payables are recognised when due and are valued at the amount expected to be received or paid. Due to the short-term nature of the company's other payables, amounts are not discounted.

Other payables include amounts receivable from and payable to non-insurance debtors and creditors. Other payables also include current tax liabilities, which are valued at the amount expected to be recovered or paid in accordance with the provisions of FRS 101. The calculation of the total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

The valuation and presentation of the Company's other payables is consistent with the treatment for the Company's external financial reporting.

D4 Alternative Valuation Methods

As part of the transition from UK GAAP to Solvency II it was assessed that the fair value of the vehicles and equipment held as ‘property, plant and equipment held for own use’ (R0060) was immaterially different to the carrying value in the statutory accounts which holds the assets at cost less accumulated depreciation and impairment losses. This was assessed by reviewing independent third-party sales listings of comparable assets. As a result the Solvency II valuation for R0060 has been held as the same valuation for UK GAAP purposes. This will be reviewed at each year end to ensure a material difference in calculation method does not arise.

D5 Employee Benefits

The treatment of employee benefits under UK GAAP are considered to be consistent with the Solvency II requirements. UK GAAP requires employee pension obligations to be calculated on a best estimate liability discounted at a corporate bond rate.

The company’s management do not consider any employee benefit liabilities to exist as at 31 December 2017.

E Capital Management (audited)

E1 Own Funds

Current Capital Requirements

Because of the simple and short-term nature of its products, PA believes its risk profile does not deviate significantly from the assumptions underlying the Standard Formula and hence has used the Standard Formula to determine its capital requirements under Solvency II. The Company has utilised standard formula capital models (KPMG and Mazars) and FS Assist to upload the data to the Bank of England BEEDS portal in the prescribed XBRL format.

PA has classified the majority of its business (hospital and convalescence plans) under the Solvency II line of business of medical expense insurance. The remaining elements of the business, VGIP, has been shown as an income protection policy.

PA's current solvency position is currently in line with its long-term prudent approach of maintaining capital well in excess of its solvency requirements. The Board consider that a minimum SCR Solvency ratio of 200% is a prudent and sensible own funds level. It is expected that this level will be considered applicable for the foreseeable future, which is considered to be the following 3 years which have been forecast. The Board are able to manage the Solvency ratio, to ensure it stays above the required level, through varying dividend payments up to the immediate parent company.

There have been no material changes over the reporting period.

As per the Annual Return 2017, PA's own funds are made up as follows:

Reconciliation of valuation differences	**£000**
Called up and fully paid share capital	1,528
Available for sale reserve	85
Profit and loss account	10,840
Total equity per financial statements	**12,453**
Difference in valuation of technical provisions	711
Difference in valuation of assets	(1,206)
Difference in valuation of liabilities	88
Excess of assets over liabilities for solvency purposes	**12,046**

The breakdown of excess assets over liabilities for solvency purposes is as follows.

	2017 Actual £000	2016 Actual £000
Assets		
Equity	801	672
Cash and Deposits	10,026	9,632
Property, Plant & Equipment	139	177
R/i Provisions Recoverables	30	159
Deferred Tax Asset	140	196
Other Assets	4,011	5,268
Total Assets	**15,147**	**16,104**
Liabilities		
Gross Technical Provisions	945	1,563
Risk Margin	333	358
Other Liabilities	1,823	1,621
Total Liabilities	**3,101**	**3,541**
SII Own Funds	**12,046**	**12,563**

The companies own funds are split into tier 1,2 and 3 as follows;

	Total £000	Tier 1 £000	Tier 2 £000	Tier3 £000
Ordinary Share Capital	1,528	1,528	-	-
Reconciliation Reserve	10,405	10,405	-	-
Deferred Tax Assets	113	-	-	113
2017 Totals	**12,046**	**11,933**	**-**	**113**
2016 Totals	**12,563**	**12,402**	**-**	**161**

- Tier 1: £11,933K – This is made up of £1,528K of ordinary share capital, £10,405K of the reconciliation reserve, which constitutes distributable reserves from a solvency II perspective.
- Tier 2: £nil
- Tier 3: £113K – This relates to the deferred tax liability incurred on transition from UK GAAP to Solvency II accounting.

The Company does not have any ringfenced own funds.

E2 SCR & MCR

The own funds above interact with the SCR requirements, as disclosed in section C, as follows.

	2017 Actual £000	2016 Actual £000
SCR	4,632	4,821
MCR	2,196	2,251
SII Own Funds	12,046	12,563
Excess over SCR	7,414	7,742
Excess over MCR	9,850	10,312
Solvency Ratio	260%	261%

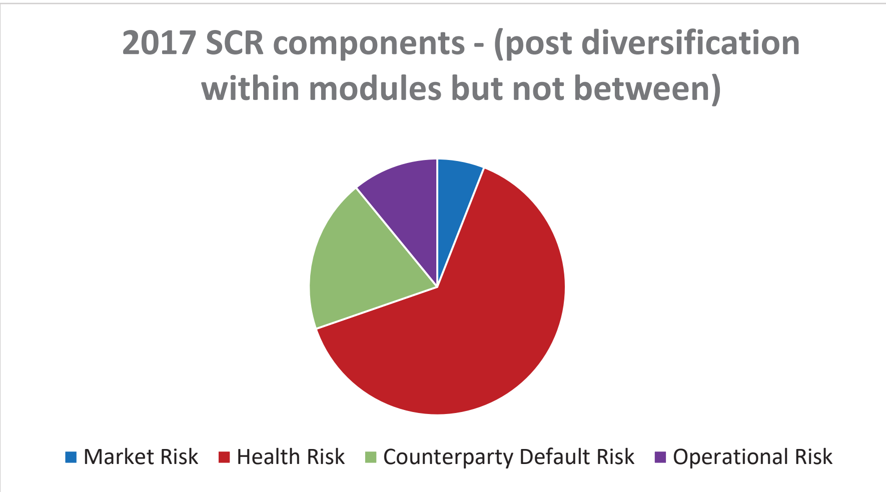
Due to the stable nature of the business the SCR has remained consistent year on year.

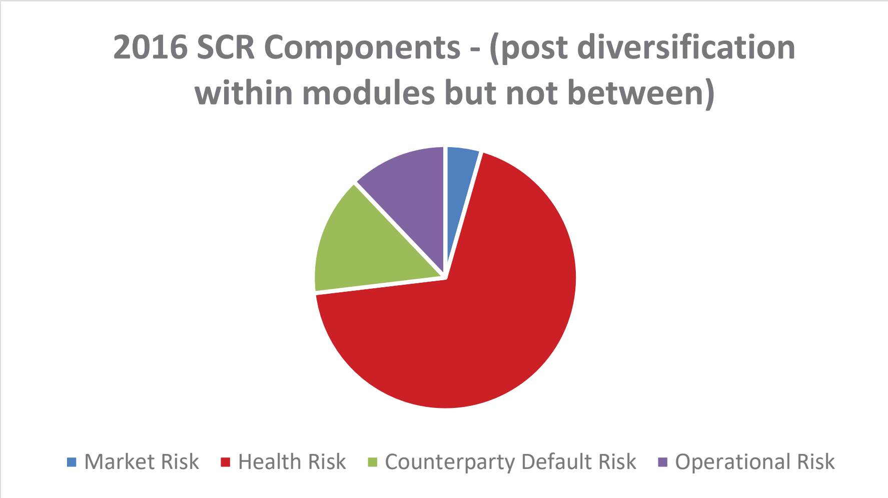
The MCR is the absolute floor, namely 2.5M Euros, in Sterling. This has decreased in the year due to the movement in exchange rates.

Normally the business is very predictable and so the actual SCR at the end of each period is broadly in line with previous expectations, however, for 2017 a new line of insurance business was expected which did not materialise.

	2018 Prediction	2017 Actual	2017 Prediction	2016 Actual	2016 Prediction
Solvency Capital Requirement Results	4.9	4.6	5.9	4.8	4.8

As can be seen in the charts below, the major components of the SCR for PA relate to health underwriting risk and counterparty default risk and so the majority of the sensitivity tests, which have been agreed as appropriate by the Board, have been based around these areas.





E3 Use of the duration based equity risk sub-module in the calculation of the Solvency Capital Requirement

This is not applicable for PA.

E4 Differences between the standard formula and any internal model used

The standard formula has been utilised by PA and no variations have been applied.

E5 Non-compliance with the MCR and Non-compliance with the SCR

There has been no non-compliance with the SCR and MCR over the reporting period and there is no foreseen non-compliance.

E6 Any other information

There is no further information to disclose.

Independent auditor’s opinion

Report of the external independent auditor to the Directors of Personal Assurance Plc (‘the Company’) pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by Personal Assurance Plc as at 31 December 2017:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of Personal Assurance Plc as at 31 December 2017, (‘**the Narrative Disclosures subject to audit**’); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 (‘**the Templates subject to audit’**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the ‘**Relevant Elements of the Solvency and Financial Condition Report**’.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (‘**the Responsibility Statement**’).

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of Personal Assurance Plc as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Personal Assurance Plc in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the ‘Valuation for solvency purposes’ and ‘Capital Management’ and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and

Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you if:

- the directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or
- the directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications granted by the PRA under The Solvency 2 Regulations 2015 and section 138A of FSMA respectively.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Relevant Elements of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Personal Assurance Plc statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

Jessica S.S. Katsouris

Jessica Katsouris for and on behalf of KPMG LLP

1 St Peter's Square

Manchester

M2 3AE

4 May 2018

- The maintenance and integrity of Personal Assurance Plc's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Glossary

Technical Terms

BBNI – Bound But Not Incepted

BEL – Best Estimate of Liabilities

EEE – Employee Engagement Executive

EFIFP – Expected Profits Included in Future Premiums

EIOPA – European Insurance and Occupational Pensions Authority

ENID – Events Not In Data

ERM – Enterprise Risk Management

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

FRS – Financial Reporting Standard

IAS – International Accounting Standard

IBNR – Incurred But Not Reported

KRI – Key Risk Information

MAIHC - Mixed Activity Insurance Holding Company

MCR – Minimum Capital Requirement

ORSA – Own Risk & Solvency Assessment

PMI – Private Medical Insurance

PMS – Personal Management Solutions Limited

PRA – Prudential Regulation Authority

RCC – Risk & Compliance Committee

SCR – Solvency Capital Requirement

SIMF – Senior Insurance Management Function

SMT – Senior Management Team

TCF – Treating Customers Fairly

UPR – Unrealised Premium Received

VGIP - Voluntary Group Income Protection

Personal Group Entities

PA – Personal Assurance Plc

PACT – Personal Assurance Charitable Trust

PAGL – Personal Assurance (Guernsey) Limited

PAS – Personal Assurance Services Limited

PG – Personal Group (N.B. This does not refer to a specific entity but the Group as a whole)

PGH – Personal Group Holdings Plc

PGL – Personal Group Limited

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	140
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	139
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	6,197
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	801
R0110	*Equities - listed*	801
R0120	*Equities - unlisted*	0
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	5,397
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:	30
R0280	*Non-life and health similar to non-life*	30
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	30
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	2,553
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	14
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,629
R0420	Any other assets, not elsewhere shown	1,445
R0500	**Total assets**	15,146

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,278
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)*	1,278
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	945
R0590	*Risk margin*	333
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*	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	27
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	33
R0840	Payables (trade, not insurance)	1,763
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	3,100
R1000	**Excess of assets over liabilities**	12,046

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Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		Total
		Medical expense insurance	Income protection insurance	
		C0010	C0020	C0200
	Premiums written			
R0110	*Gross - Direct Business*	23,961	439	24,400
R0120	*Gross - Proportional reinsurance accepted*			0
R0130	*Gross - Non-proportional reinsurance accepted*			0
R0140	*Reinsurers' share*		214	214
R0200	*Net*	23,961	225	24,186
	Premiums earned			
R0210	*Gross - Direct Business*	24,142	477	24,619
R0220	*Gross - Proportional reinsurance accepted*			0
R0230	*Gross - Non-proportional reinsurance accepted*			0
R0240	*Reinsurers' share*		234	234
R0300	*Net*	24,142	243	24,385
	Claims incurred			
R0310	*Gross - Direct Business*	4,922	14	4,936
R0320	*Gross - Proportional reinsurance accepted*			0
R0330	*Gross - Non-proportional reinsurance accepted*			0
R0340	*Reinsurers' share*		(34)	(34)
R0400	*Net*	4,922	48	4,970
	Changes in other technical provisions			
R0410	*Gross - Direct Business*	71	6	77
R0420	*Gross - Proportional reinsurance accepted*			0
R0430	*Gross - Non-proportional reinsurance accepted*			0
R0440	*Reinsurers' share*		11	11
R0500	*Net*	71	(5)	66
R0550	**Expenses incurred**	11,656	214	11,869
R1200	**Other expenses**			224
R1300	**Total expenses**			12,093

S.05.02.01

Premiums, claims and expenses by country

Non-life

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	*Gross - Direct Business*	24,400						24,400
R0120	*Gross - Proportional reinsurance accepted*	0						0
R0130	*Gross - Non-proportional reinsurance accepted*	0						0
R0140	*Reinsurers' share*	214						214
R0200	*Net*	24,186	0	0	0	0	0	24,186
	Premiums earned							
R0210	*Gross - Direct Business*	24,619						24,619
R0220	*Gross - Proportional reinsurance accepted*	0						0
R0230	*Gross - Non-proportional reinsurance accepted*	0						0
R0240	*Reinsurers' share*	234						234
R0300	*Net*	24,385	0	0	0	0	0	24,385
	Claims incurred							
R0310	*Gross - Direct Business*	4,936						4,936
R0320	*Gross - Proportional reinsurance accepted*	0						0
R0330	*Gross - Non-proportional reinsurance accepted*	0						0
R0340	*Reinsurers' share*	(34)						(34)
R0400	*Net*	4,970	0	0	0	0	0	4,970
	Changes in other technical provisions							
R0410	*Gross - Direct Business*	77						77
R0420	*Gross - Proportional reinsurance accepted*	0						0
R0430	*Gross - Non-proportional reinsurance accepted*	0						0
R0440	*Reinsurers' share*	11						11
R0500	*Net*	66	0	0	0	0	0	66
R0550	**Expenses incurred**	11,869						11,869
R1200	**Other expenses**							224
R1300	**Total expenses**							12,093

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance		Total Non-Life obligation
		Medical expense insurance	Income protection insurance	
		C0020	C0030	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0
R0020	Direct business	0	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	0	0
	Technical provisions calculated as a sum of BE and RM			
	Best estimate			
	Premium provisions			
R0060	**Gross - Total**	-270	-112	-382
R0070	Gross - direct business	-270	-112	-382
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-63	-63
R0150	**Net Best Estimate of Premium Provisions**	-270	-49	-319
	Claims provisions			
R0160	**Gross - Total**	1,224	103	1,327
R0170	Gross - direct business	1,224	103	1,327
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		93	93
R0250	**Net Best Estimate of Claims Provisions**	1,224	10	1,234
R0260	**Total best estimate - gross**	954	(8)	945
R0270	**Total best estimate - net**	954	(38)	915
R0280	**Risk margin**	325	8	333
	Amount of the transitional on Technical Provisions			
R0290	TP as a whole	0	0	0
R0300	Best estimate	0	0	0
R0310	Risk margin	0	0	0
R0320	**Technical provisions - total**	1,279	(0)	1,278
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	30	30
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	1,279	(30)	1,248

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Non-Life insurance claims

Total Non-life business

Z0010	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	N-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	N-8	0	0	0	0	0	0	0	0	0			0	0
R0180	N-7	0	0	0	0	0	0	0	0				0	0
R0190	N-6	0	0	0	0	0	0	0					0	0
R0200	N-5	0	0	0	0	1	0						0	1
R0210	N-4	0	0	0	(65)	0							0	(65)
R0220	N-3	0	0	127	(43)								(43)	84
R0230	N-2	0	1,251	136									136	1,387
R0240	N-1	4,549	1,036										1,036	5,585
R0250	N	4,367											4,367	4,367
R0260												Total	5,496	11,359

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 & +		
Prior											0		0
N-9	0	0	0	0	0	0	0	0	0	0			0
N-8	0	0	0	0	0	0	0	0	0				0
N-7	0	0	0	0	0	0	0	0					0
N-6	0	0	0	0	0	0	0						0
N-5	0	0	0	0	0	0							0
N-4	0	0	0	6	0								0
N-3	0	0	64	0									0
N-2	0	103	17										17
N-1	1,691	7											7
N	1,303												1,303
												Total	1,328

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)	1,528	1,528		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	10,405	10,405			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	113				113
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	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	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				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	
R0290	**Total basic own funds after deductions**	12,046	11,933	0	0	113
	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	12,046	11,933	0	0	113
R0510	Total available own funds to meet the MCR	11,933	11,933	0	0	
R0540	Total eligible own funds to meet the SCR	12,046	11,933	0	0	113
R0550	Total eligible own funds to meet the MCR	11,933	11,933	0	0	
R0580	**SCR**	4,632				
R0600	**MCR**	2,196				
R0620	**Ratio of Eligible own funds to SCR**	260%				
R0640	**Ratio of Eligible own funds to MCR**	543%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	12,046
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,641
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	10,405
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	349
R0790	**Total Expected profits included in future premiums (EPIFP)**	349

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Solvency Capital Requirement - for undertakings on Standard Formula

Z0010	**Article 112**	Regular reporting

		Gross solvency capital requirement	USP
		C0040	C0080
R0010	Market risk	425	
R0020	Counterparty default risk	1,312	
R0030	Life underwriting risk		
R0040	Health underwriting risk	4,342	
R0050	Non-life underwriting risk	0	
R0060	Diversification	(1,098)	
R0070	Intangible asset risk	0	
R0100	**Basic Solvency Capital Requirement**	4,980	

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	738
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	(1,086)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	4,632
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	4,632
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

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	1,190

		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	954	23,961
R0030	Income protection insurance and proportional reinsurance	0	226
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		

		C0070
	Overall MCR calculation	
R0300	Linear MCR	1,190
R0310	SCR	4,632
R0320	MCR cap	2,084
R0330	MCR floor	1,158
R0340	Combined MCR	1,190
R0350	Absolute floor of the MCR	2,196
R0400	**Minimum Capital Requirement**	2,196