Solvency and Financial Condition Report
[year-end 30 September 2024]

The Equine and Livestock Insurance Company Limited

COMPANY NUMBER 294940

Executive Summary

The principal activity of The Equine and Livestock Insurance Company Limited ("**the Company**") is the underwriting of general insurance policies. The Company is authorised to effect and carry out contracts for the following insurance classes:

- Damage to property
- Fire and natural forces
- General liability
- Legal expenses
- Liability for ships
- Miscellaneous financial loss
- Ships

These are classified as "Miscellaneous Financial Loss" and "General Liability" and "Fire and Other Damage to Property" under the Solvency II regime.

The Company underwrites business in the UK, Channel Islands and Isle of Man.

This Solvency and Financial Condition Report ("**SFCR**") has been provided as part of the Company's reporting requirements under the Solvency II Directive, effective from 1 January 2016. This is disclosed publicly to meet the public disclosure requirements of Articles 290 to 303 of the Commission Delegated Regulation (EU) 2015/35.

The SFCR has been completed using data and results published in the Own Risk & Solvency Assessment ("**ORSA**") report and year end data contained within the Prudential Regulation Authority ("**PRA**") return. The ORSA provides a comprehensive assessment of the Company's risk profile and solvency position for use in decision making. It is also used for a forward-looking view of potential risk scenarios that could impact the Company's business plans over the next 5 years. The SFCR sets out the Company's business performance, system of governance, risk profile, valuation for solvency purposes and capital management practices.

The SFCR details all currently available information on the Company's risk exposures and their potential capital impacts and provides an overview of the way in which the Company views these elements of its business. It also describes the Risk Management Framework and processes which the Company employs to manage risk within the Governing Body's stated appetite and with the objective of providing protection for its policyholders.

Business and Performance Summary

The Company is a private limited company; a composite general insurer committed to the provision of personal lines insurance products to targeted consumer groups. The Company is dedicated to providing insurance products that provide comprehensive cover at an affordable price; the Company's business model is based on providing underwriting and claims solutions that will meet the needs of consumers.

The Company made a total profit before tax of £1.5m for the year ending 30 September 2024 (2023: £3.1m). The Company's capital was at 232% of its Solvency Capital Requirement ("**SCR**"), (2023:190%).

System of Governance Summary

The Governing Body is responsible for the overall control of the Company via careful and prudent management; they are concerned with the business strategies and the day-to-day detail of insurance operations. The Company's Governing Body, as of the date of this report, consists of three Executive and two Non-Executive Directors. Full details are provided under "System of Governance."

Risk Profile Summary

The Company is exposed to risks that are high in frequency and low in severity. These are identified in the Company's Risk Management Framework.

The Company does not actively seek out new risks as a means of generating a return on capital, but instead manages the risk to which it is exposed in the fulfilment of its governing objectives to ensure it maintains sufficient capital.

The Company's risk philosophy is to explicitly recognise the uncertainty inherent in its activities, and to manage the risk resulting from this uncertainty in a way which creates and protects its ability to achieve its objectives whilst also ensuring that it treats its customers fairly and balances the interests of all its stakeholders.

The largest component of the Company's risk profile is insurance risk, particularly underwriting risk: the risk that there are incorrect underwriting and inaccurate assessments of associated risks not included in the policy development and exclusion lists which could result in significant increases in ELICO's cost of claims and impact premium earnings. The Company mitigates this risk by controlling pricing, underwriting and reserving assumptions.

There has been no change in the Company's risk profile since the 2023 SFCR.

Valuation for Solvency Purposes Summary

The Company's assets and liabilities have been valued in line with Solvency II regulations.

As at 30 September 2024 the Company had own funds of £52.9m compared to £51.0m at 30 September 2023.

Capital Management Summary

The Company has a strong capital position with solvency capital surplus of £30.0m (2023: £24.2m) in excess of the SCR.

The Company's Governing Body set its SCR Capital Risk Appetite tolerance during the year to 30 September 2024 to be 152% of the SCR (2023 143%), with a monitoring trigger of 157% and target of 162%.

Basis of Preparation

In line with the Company's previous SFCR's, this document is a Solo SFCR for the Company. The figures disclosed in this report are prepared under the Solvency II regime using the Standard formula, adjusted for the use of an Undertaking Specific Parameter ("**USP**") for the calculation of the Premium Risk for the Miscellaneous Financial Loss segment of business (as detailed in the Capital Management section). The Governing Body considers the use of the Standard Formula and the USP provides an SCR that is prudent and appropriate for the Company having regard to the size, nature and complexity of the business.

Business and Performance

Business and External Environment

The Equine and Livestock Insurance Company Limited, Thorpe Underwood Hall, Ouseburn, York, YO26 9SS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority ("**PRA**"). The Company's Financial Services Register Number is 202748. The Company has been categorised as a category 4 firm by the PRA and a category 4 firm by the Financial Conduct Authority ("**FCA**"). The Company's company registration number is 294940.

The FCA's registered address is:

Financial Conduct Authority

12 Endeavour Square

London

E20 1JN

The PRA's registered address is:

Prudential Regulation Authority

20 Moorgate

London

EC2R 6DA

The Company's external auditors are:

BDO LLP

55 Baker Street

London

W1U 7EU

The Company's internal auditors are:

RSM Risk Assurance Services LLP

14th Floor

20 Chapel Street

Liverpool

L3 9AG

The Company obtains assistance in certain actuarial matters from:

Lane, Clark & Peacock LLP

95 Wigmore Street

London

W1U 1DQ

The Company is a general insurance company with three appointed representatives:

- Entertainment & Leisure Insurance Services Ltd [FRN: 402233]
- Entertainment and Leisure Insurance Services (Jersey) Ltd [FRN:601637]
- Lifestyle Policy Ltd [FRN:920942]

Entertainment & Leisure Insurance Services Ltd and Lifestyle Policy Ltd are related to the Company by virtue of common management systems and structures.

The Company is a wholly-owned subsidiary of Foxlow Limited, a company incorporated and registered in the BVI.

The Company's financial year end is 30 September each year. There were no significant business (or other) events during the period under review that had a material impact on the Company.

Company Strategy & Underwriting Performance

The Company currently underwrites risks located in the UK, Channel Islands and Isle of Man only. Customers are private individuals, professionals and semi-professionals residing in the United Kingdom and Channel Islands.

The Company is a specialist general insurer selling a suite of products to consumers through non-advised sales. Distribution is through three appointed representatives.

The Company writes a range of niche personal lines of business. The business is predominantly animal, split largely between Pet with some pleasure Horse. Non-animal business is also transacted and categorised into a separate grouping and includes Caravan, Musical Equipment, Wedding, Golf, Marine / Leisure Boats, Photographic, Cycle and Student possessions covering property risk and minimal associated ancillary risk.

The Company's vision during the 2023 / 2024 financial year was to:

- Improve the value of the business by becoming a streamlined insurer engaging in only core activities (including Capital Utilisation, Risk Management, Actuarial, Underwriting, and Claims),
- To enhance the strategic relationship with Lifestyle Policy Limited ("**LP**L") such that the distributor handles all non-core activities such as those policyholder facing activities (Marketing, Distribution, and Policyholder Servicing) and in doing so supporting the vision as set out above.

To achieve its Vision, the Company has identified four focus areas as set out below:

- **People:** defined broadly to encompass the shareholder, employees, policyholders and potential policyholders, and other stakeholders such as regulators. The Company will seek to cultivate a positive and performance driven culture.
- **Automation:** considered to be of primary importance particularly when combined with developments in AI and emerging technologies. This will drive not only operational efficiency, but also enhanced policyholder experience.
- **Simplification:** simplification of the Company's business model including the AR structure, product offerings, branding, systems, and processes. This will reduce errors resulting in cost efficiencies and a better stakeholder experience.
- **Sustainability & Value**: in the widest context this is all-encompassing, incorporating culture, an ESG-compliant framework, operational resilience, stakeholder relationships, business longevity, and building sustainable value (this is not restricted to monetary value).

During the year ending 30 September 2024, gross written premiums decreased 2.4% compared to the prior year (2023: decrease 12.9%) and gross claims incurred decreased 1.1% before reinsurers share (2023: decreased 14.0%). The Company reported Net Underwriting Income before expenses of £5.5m (2023: £7.6m).

A summary of the Company's underwriting performance for this period is shown below:

	2023 Total £000	**2024 General Liability**	**2024 Miscellaneous Financial Loss**	**2024 Property**	**2024 Total £000**
Gross Written Premium					
Gross Direct Business	68,794	1,007	64,141	2,015	67,163
Reinsurers Share	(28,614)	(419)	(26,868)	(838)	(27,944)
Net Premiums Written	**40,180**	**718**	**45,721**	**1,436**	**39,219**
Gross Earned Premium					
Gross Direct Business	69,794	1,005	63,964	2,009	66,978
Reinsurers Share	(28,991)	(464)	(29,536)	(928)	(30,928)
Net Premiums Earned	**40,746**	**541**	**34,428**	**1,081**	**36,050**
Other Technical Income	**3,510**	130	8,266	260	**8,655**
Total Income	**44,256**	671	42,694	1,341	**44,705**
Claims Incurred	61,016	905	57,622	1,810	60,337
Reinsurers Share	(24,405)	(317)	(20,206)	(635)	(21,159)
Net Claims Incurred	**36,611**	**588**	**37,415**	**1,175**	**39,178**
Net Underwriting Income	**7,645**	**83**	**5,279**	**166**	**5,527**
Expenses Incurred	7,224	116	7,406	233	7,755
Net Technical Result	**421**	(33)	(2,128)	(67)	**(2,228)**
Investment Income	2,637	56	3,564	112	3,732
Profit Before Taxation	**3,058**	23	1,436	45	**1,504**

Gross Claims Paid (non-cumulative)

(absolute amount £000)

	Development Year											
Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10& +**	**In current year**	**Sum of years (cumulative)**
Prior											-	-	
2015	16,823	7,275	248	115	6	16	37	-	-	-		-	24,519
2016	21,124	11,854	272	13	44	-	-	-	-			-	33,307
2017	24,381	10,698	83	56	37	-	-	32				32	35,288
2018	52,255	3,912	133	148	140	40	12					12	56,641
2019	65,422	4,845	101	74	230	182						182	70,855
2020	57,717	6,162	153	138	27							27	64,196
2021	65,554	8,770	104	66								66	74,494
2022	61,239	5,880	113									113	67,232
2023	56,237	4,348										4,348	60,585
2024	55,432											55,432	55,432
												60,212	542,550

Performance from Investment Activities

The Company will continue to invest its regulatory capital in low-risk bank deposits, Treasury Bills and property, resulting in conservative investment returns for its cash balances and higher returns for its property portfolio. The objective is to avoid potential adverse fluctuations in the reserves.

The Company did not invest in equity or investments in securitisation assets.

The Company aligns its strategy with its capital requirements by calculating the Solvency Capital Requirement ("**SCR**") and Minimum Capital Requirement ("**MCR**") based on its business plan, to enable it to plan for future capital needs.

Investment income from investments is as:

	2023 £000	**2024 £000**
Bank, Treasury Bills & Other Interest	2,119	2,852
Property	528	577
Unrealised Gains/(Losses) on Investments	(10)	303
Total Investment Income	**2,637**	**3,732**

Performance of Other Activities

The Company's net operating costs and expenses incurred for all activities were as follows:

	2023 £000	2024 £000
Acquisition Costs	806	728
Administrative Expenses	4,335	4,998
Net Operating Expenses	**5,141**	**5,726**
Claims Expenses	2,083	2.029
Expenses Incurred	**7,224**	**7,755**

Any Other Disclosures

Each insurance product offered by the Company reflects the demand from its policyholders and gaps identified in the current market following market research analysis reports. These reports analyse a variety of areas from industry overview, target market, competition analysis to market regulations and restrictions, this assists the Company in determining if the current offerings are still compliant with customer needs and requirements.

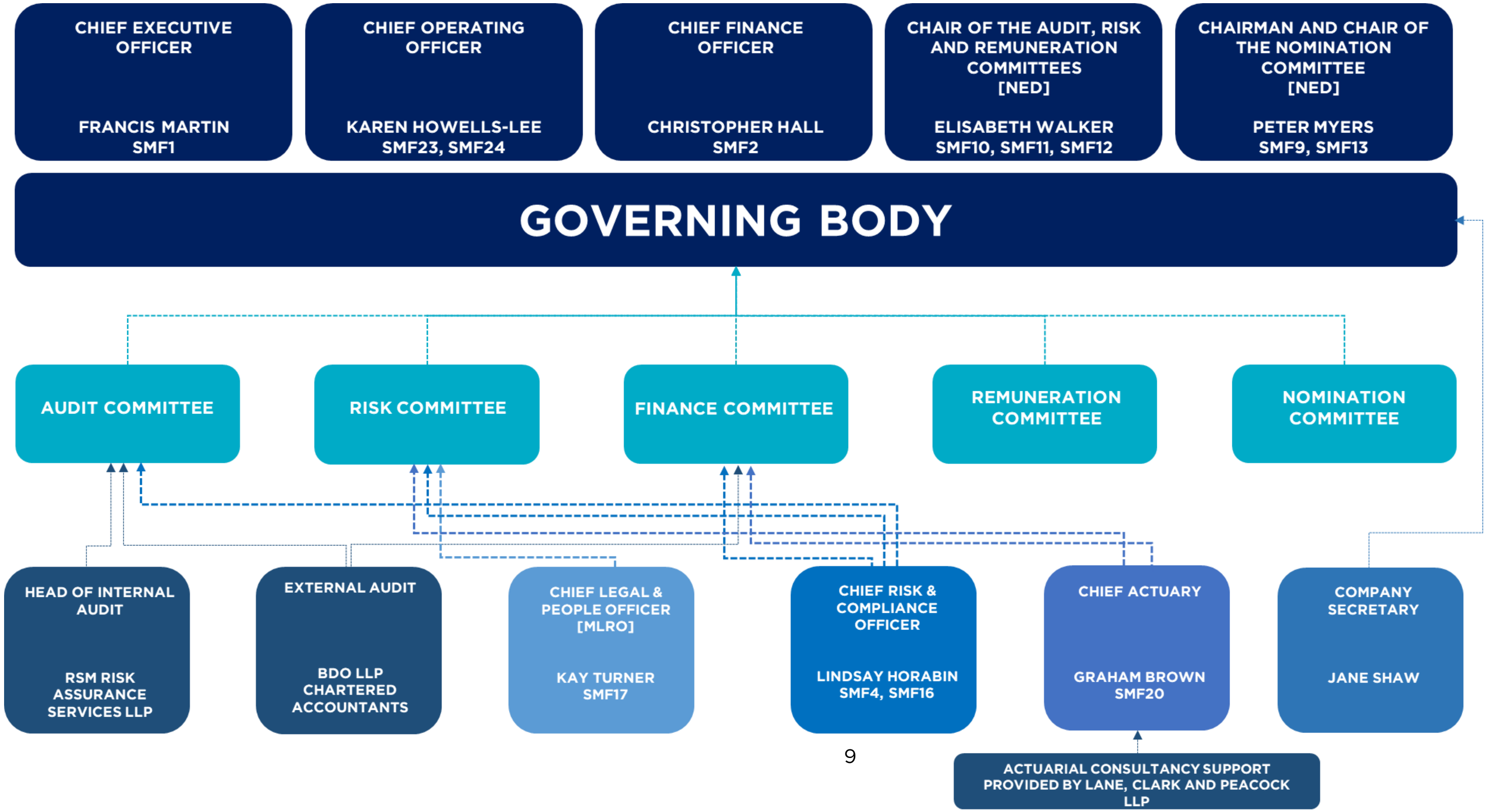
The Company has an appetite for developing new products within existing lines which reflect the Governing Body's strategy for maintaining measured long-term growth within capital constraints.

System of Governance

General Governance Arrangements

Under the Senior Managers and Certification Regime ("**SM&CR**"), the Financial Conduct Authority ("**FCA**") and the Prudential Regulation Authority ("**PRA**") define a set of Prescribed Responsibilities to be allocated to a Senior Manager.

The following Management Responsibilities Map reflects the Company's current senior management structure:



The Company continuously evaluates its governance and senior management structure in order to ensure suitable segregation of duties along with ensuring capacity and skills within the function.

The role of the Governing Body is to determine the overall strategic direction and management of the Company and to monitor its performance. In performing its duties, the Governing Body will meet in accordance with the terms of reference and act in the best interests of the Company as a whole (including its shareholder, employees and in appropriate cases, policyholders and creditors) and ensure the Company is managed to a clear and prudent strategy and risk appetite.

The Company operates a linear management structure that ensures good communications and efficiency of working. The management team monitors every aspect of the Company's systems, controls and administrative structure in great detail. They are able to detect early signs of problems and market shifts and are able to resolve these problems at first hand.

The Prescribed Responsibilities for the Company's Senior Manager Functions are set out below.

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Peter Myers	Chairman (NED)	SMF9, SMF13	Shareholder	Fixed term appointment	None
DUAL - F	*Responsibility for (a) leading the development of; and (b) and monitoring the effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body*				
PRA – I	*Responsibility for leading the development of the firm's culture by the governing body as a whole*				
PRA - U	*Responsibility for ensuring that the firm's performance of its obligations under Fitness and Propriety (in the PRA Rulebook) in respect of notified non-executive directors and those who perform a key function (where applicable for insurers)*				

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Francis Martin	Chief Executive Officer	SMF1	Governing Body	Employee	CF1 (AR): Entertainment and Leisure Insurance Services (Jersey) Ltd: Entertainment & Leisure Insurance Services Ltd & Lifestyle Policy Limited
DUAL – A	*Responsibility for the firm's performance of its obligations under the senior management regime*				
DUAL – B	*Responsibility for the firm's performance of its obligations under the certification regime*				
DUAL - C	*Responsibility for compliance with the requirements of the regulatory system about the management responsibilities map*				
PRA - H	*Responsibility for overseeing the adoption of the firm's culture in the day-to-day management of the firm*				
PRA - T	*Responsibility for the development and maintenance of the firm's business model by the governing body*				

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Karen Howells-Lee	Chief Operating Officer/Chief Underwriting Officer Function/Claims Management Key Function Holder	SMF23, SMF24	Governing Body	Employee	CF1 (AR): Entertainment & Leisure Insurance Services Ltd
DUAL - G	*Responsibility for monitoring the effective implementation of policies and procedures for the induction, training and professional development of all of the senior managers / key function holders (other than members of the firm's governing body).*				
PRA - X	*Responsibility for the firm's performance of its obligations under the Outsourcing part of the Rulebook (for CRR and non CRR firms), Conditions Governing Business 7 (for SII firms and third county branches) or Non Solvency II firms: Governance 5 (for large NDFs)*				

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Christopher Hall	Chief Finance Officer	SMF2	Governing Body	Employee	CF1 (AR): Entertainment & Leisure Insurance Services Ltd & Lifestyle Policy Limited
PRA - O	*Responsibility for management of the allocation and maintenance of the firm's capital, funding (where applicable) and liquidity*				
PRA - Q	*Responsibility for the production and integrity of the firm's financial information and its regulatory reporting*				
FCA - Z	*Responsibility for the firm's compliance with CASS*				
Responsibility for identifying and managing financial risks from climate change.					

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Elisabeth Walker	Non-executive Director - Committees	SMF10, SMF11, SMF12	Governing Body	Fixed term appointment	None
DUAL – J2	*Responsibility for providing for and oversight of the internal audit function, where the function is outsourced to an external third-party provided by non-significant firms*				
DUAL - M	*Responsibility for overseeing the development of and implementation of the firm's remuneration policies and practices*				
DUAL - N	*Responsibility for oversight of the independence, autonomy and effectiveness of the firm's policies and procedures on whistleblowing*				
Whistleblower's Champion					
Consumer Duty Champion					

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Lindsay Horabin	Chief Risk & Compliance Officer	SMF4, SMF16	Governing Body	Employee	None
PRA – T2	*Responsibility for performance of the firm's Own Risk and Solvency Assessment (ORSA)*				
FCA – B1	*Responsibility for the firm's (a) conduct rules training; and (b) conduct rules reporting*				

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Graham Brown	Chief Actuary	SMF20	Governing Body	Employee	None

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Kay Turner	Chief Legal & People Officer / MLRO	SMF17	Governing Body	Employee	None
FCA - D	*Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime*				

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
RSM Risk Assurance Services LLP	Head of Internal Audit	SMF5 n/a [outsourced]	Governing Body	Outsourced service contract	n/a

Name	Role	SMF	Reports to	Employment status	Other (current) FCA Directorships
Jane Shaw	Company Secretary	n/a	Chief Executive Officer	Employee	None

Material Transactions with the Shareholder and Directors

There were no material transactions with the Directors during the period.

Material transactions with the shareholder included interest received by the Company of £1.4m on the loan to the shareholder and dividends paid of £0.7m.

Committees

The Governing Body has established the following sub-committees, under its authority, to manage the detail of certain functions:

- Finance Committee
- Audit Committee
- Risk Committee
- Remuneration Committee
- Nomination Committee

In addition, the Executive Directors established the executive-level Finance Forum, Risk & Compliance Forum and Executive Forum.

Finance Committee

The Finance Committee provides oversight of, and advice on, matters relating to the Company's financial position and financial related matters. Comprising the Chairman, Non-Executive Director (Committees), CEO, COO and CFO, the Finance Committee meets at least four times a year and met five times during 2023 / 2024.

Audit Committee

The Audit Committee monitors the integrity of the financial statements and formal related company announcements along with the effectiveness and objectivity of the outsourced Internal Audit providers and External Audit. Comprising the Chairman and Non-Executive Director (Committees), the Audit Committee meets at least four times a year and met six times during 2023 / 2024.

Risk Committee

The Risk Committee has oversight of, monitors, reviews, and reports on the Company's Risk Management Framework, SFCR, ORSA, balance sheet risks and management (including liquidity and capital) and key risk exposures. Comprising the Chairman, Non-Executive Director (Committees), CEO, COO, CFO and Chief Risk & Compliance Officer, the Risk Committee meets at least four times a year and met six times during 2023 / 2024.

Remuneration Committee

The Remuneration Committee discharges its responsibilities to the shareholder and regulators by creating and maintaining a formal and transparent remuneration policy and associated practices that reward fairly and responsibly, with a clear link to the Company's performance and individual performance. Comprising the Chairman and Non-Executive Director (Committees), the Remuneration Committee met once during 2023 / 2024.

The Policy for Remuneration of the Governing Body is set by the Remuneration Committee and seeks to ensure that the interests of the Directors are aligned with the Company's business strategy and risk tolerance, objectives, values and the Company's long-term interests and aims to ensure the Company is able to attract and retain highly competent Directors. Total overall remuneration takes account of both the external market and Company conditions to achieve a balanced, 'fair' outcome. No performance related rewards were included during the year. The Chair or any Director will withdraw from discussions concerning their own appointment, remuneration or terms of service to avoid conflicts of interest.

Nomination Committee

The Nomination Committee manages the appointment process for new members of the Governing Body and its sub-committees, coordinating with existing Governing Body discussions on Company strategy, Governing Body evaluations and succession planning. Comprising the Chairman and Non-Executive Director (Committees), the Nomination Committee met once during 2023 / 2024.

Finance Forum (executive-level)

The Finance Forum develops strategic and operational financial objectives and monitors the implementation of these objectives. Comprising the CEO, COO and CFO, the Finance Forum meets at least eight times a year.

Risk and Compliance Forum (executive-level)

The Risk & Compliance Forum has oversight of the Company's risk profile and reviews and challenges the risks associated with the strategy. Comprising the CEO, COO, CFO and Chief Risk & Compliance Officer, the Forum meets at least eight times a year.

Executive Forum (executive-level)

The Executive Forum develops strategic and operational objectives and monitors the implementation of these objectives. Comprising the CEO, COO and CFO, the Executive Forum meets at least eight times a year.

Fit and Proper Requirements

Skills, Knowledge, and Expertise

In line with the SM&CR the Company has in place a SMCR Policy which includes a Fit and Proper Persons Assessment process. The objective of the policy is to ensure that the Company is soundly and prudently managed. In determining a person's fitness and propriety the Company will consider that person's:

- Personal characteristics (good repute, integrity etc.)
- Level of competence, knowledge and experience
- Qualifications
- Training
- Business conduct
- Compliance with conduct standards

In order to perform a Senior Management Function, a person must have the qualifications, technical competencies, training and personal characteristics as detailed within that role profile.

Assessing Fitness and Propriety

Assessment of fitness and propriety includes:

- Recruitment: covering the consideration of duties, an appointment process matching the selected person to the requirements of the post, verifications of qualifications and probity checks.
- Documentation: including passport, evidence of address, DBS check.

- Verification: the Company must verify the information necessary in its opinion to establish the applicant has the experience necessary to fulfil the designated role and that there are no issues arising from the material that would cause the Company to reconsider its proposal to appoint that person.

Applicants may not be appointed to a Senior Management Function until approved by the Regulators.

Once appointed, applicants are expected to remain competent for the position(s) they hold, including ensuring Continued Professional Development ("**CPD**"), displaying appropriate business conduct and demonstrating compliance with conduct standards. The Company reviews fitness and propriety at least once annually.

Where there has been wrongdoing, the Company may make all reasonable efforts to establish grounds for taking disciplinary action and where appropriate take the action. In any case, where such matters come to light, they may be reported immediately to the FCA and the PRA.

Risk Management System

Risk Management Framework

An effective Risk Management Framework ensures that material risks receive sufficient attention from the Company's Governing Body. The Chief Risk & Compliance Officer ("**CRCO**"), as the Chief Risk Function holder, has responsibility for risk management arrangements and ensures regular risk reviews are conducted, documented, and presented to the Governing Body via the Risk Committee.

The Company's Risk Management Framework compromises the three lines of defence model and endeavours to:

- Identify all material risks to the Company.
- Assess the identified Risks in terms of their impacts and likelihood with the use of the approved Risk Scoring matrix.

- Implement Controls to mitigate and manage the risks within the Company's approved risk appetite.
- Adhere to Governing Body set risk appetite.
- Embed the Risk Management Framework through implementation and continued evolution of the Risk & Control Self-Assessment framework.
- Report on all risk management activities within the Company including losses, risk events, and near misses.
- Report on a quarterly basis the performance of risk appetite measures to the relevant Committees including any breaches and plans to resolve these where applicable.
- Continuously work closely with the first line to support and challenge the outputs from their risk management activities and improve the internal control environment.
- Promote a risk awareness culture and risk capabilities within the Company.

Having a clear and informed view of risk capacity is a pre-requisite for meeting Solvency II requirements as it is the baseline used in determining the SCR. This allows it to be contrasted with the other key measure of risk capacity used under Solvency II the MCR. This is defined in the guidance for Solvency II as the "gone measure" i.e., the funds an organisation would require to meet its liabilities in the event of a controlled winding up. It is a sub-measure of the SCR, the difference being the capital required to support ongoing business and future operations.

The volume of business taken on determines the level of gross insurance risk exposure that the Company accepts. Where the gross exposure is more than the Governing Body wishes to accept, reinsurance is used to reduce the potential exposure, producing a net level of insurance risk which is in line with the Company's capital management objectives. The cover is arranged via specialist reinsurance brokers using reinsurers with a rating of B or above in the Lloyds and company market. There is an approved Risk Appetite's level authorisation which provides guidance for individuals/Committees in the Company who have authority to make decisions which affect the level of risk exposure; so that they can act with confidence and can be sure that they are implementing the Governing Body's intentions. Any individual proposing to take action which is outside the delegated authorities, must complete a "Risk Acceptance Form" with their rationale and proposal to the Risk Committee/Governing Body for approval.

All these actions and many others which are part of the everyday operation of the Company have an impact on risk profile – the total amount of risk to which the Company is exposed. By clearly stating its appetite, the Governing Body ensures that thresholds are set for the level of risk exposure allowed and the Executive Owners of the risk appetite measures understand not to exceed these thresholds, and all breaches will be reported and approved by the Governing Body.

Managing risk within appetite is best practice and helps the Company to achieve its objectives. The Company has robust internal controls, assurance solutions and mitigations to manage the risks presented. Some of these include:

- Economic controls (e.g., reinsurance)
- External / Internal Audit
- Financial review (including reporting quarterly to the Governing Body)
- Management information review
- Policies and procedures
- Risk and Control Self-Assessment
- The Risk & Compliance Function
- The Governing Body

- Training and development of staff

As the Company acts to maintain sufficient capital to absorb losses, whatever their source, capital assessments are conducted at the aggregate level comparing total exposure to total available capital rather than looking at individual risk types in isolation.

The Company's objective in managing risk in this way, is to ensure that it holds sufficient capital to meet projected future insurance claims and to absorb the impact of unexpected losses, whatever their source, without compromising its governing objectives.

Within this aggregated total, the Company's appetite is to limit its exposure to a level, net of reinsurance, which creates available capital in line with its SCR, calculated using the Standard Formula. This cap provides an absolute limit on the risk the Company will accept.

The Company assesses its capital in a way which is proportionate to the size and complexity of its exposures to different types of risk, recognising that larger more complex exposures require greater effort than those which do not have the capacity to materially affect its capital position. This creates greatest focus on insurance risk and proportionally less on others, for example operational risk, which does not have the potential to materially affect the Company's capital strength.

There is an ongoing process to identify, assess. manage and report risk. This process is subject to continuous improvement in order to provide assurance to all relevant stakeholders, meet regulatory requirements and improve business performance. Risks are recorded in the Company's risk register and demonstrated in the risk report. All losses are logged on the loss schedule, but only losses of £50K and above will formally be reported to the Risk Committee with all the details of the losses. The Risk Committee will also receive a high-level headline summary of all losses incurred by the Company in the quarter.

The Risk & Compliance function will monitor and report:

- Significant Risks on a quarterly basis
- Horizon scanning
- Risk Appetite performance and escalation of breaches as required
- Periodic Risk and Control Self-Assessment
- Review of outstanding and overdue actions by way of reporting to the relevant Forum / committee on all contents of the risk management activities within the Company for the period.

The Company operates a "three lines of defence" approach to risk management:

First Line of Defence

First Line are responsible for the identification, assessment and management of their risks and to implement controls to mitigate the risks. They should:

- Promote a strong risk culture and risk capabilities.
- Know and understand the risk appetite thresholds and tolerances to manage their risk exposures within their processes and operations.
- Have full ownership, accountability, and responsibility for their risks.
- Ensure ongoing monitoring of their risks and controls through the completion of the periodic Risk and Control Self-Assessment.
- Report all risk events, near misses, losses, risk matters, and all other monthly risk returns as required to the Risk & Compliance Function.
- Escalate any risk appetite breaches and significant risk events to the Executive Directors through the Risk & Compliance Function.

Second Line of Defence: Risk & Compliance Function

The Risk & Compliance Function provides oversight and challenges to the completeness and accuracy of risk management activities of the first line of defence and the Company as a whole by:

- Providing overarching risk and compliance oversight for all activities within the Company.
- Being accountable for supporting and working with risk and control owners.
- Ensure regulatory horizon scanning is in place and reported.
- Providing support and guidance to the business on all matters relating to risk and compliance.
- Embedding the periodic Risk & Control Self-Assessment ("**RCSA**") to manage risks more effectively and efficiently.
- Monitoring the performance of controls and validate/test them regularly.
- Following up with control owners to agree action on underperforming controls to improve the effectiveness or implement new controls.
- Reporting and sharing with the Governing Body and relevant Committees, the output from the RCSA and all other risk and compliance activities.
- Supporting appropriate risk taking via policies, frameworks, tools, aggregation and analysis.

The Risk & Compliance Function is responsible, through oversight activities, for monitoring the performance of the risk appetite measures and to report and/or escalate any breaches to the relevant Committees.

Third Line of Defence: Internal Audit

Internal Audit (outsourced) provides independent assurance to the Governing Body on the Company's Internal Control environment. They do this by:

- Assessing, reviewing, and reporting on the appropriateness, robustness and effectiveness of the internal controls in place.

Internal Audit is responsible for providing independent confirmation to the Governing Body of effective implementation of internal controls. They will also make recommendations to operational areas, support functions and the Governing Body for improvements in the internal control environment.

Internal Audit have responsibility for ensuring that decisions made by delegated authorities are audited in line with the corporate governance requirements.

Assurance functions are also responsible for documenting the annual cycle in accordance with which the various policies, reports and decisions are referred to the Governing Body.

Own Risk and Solvency Assessment ("ORSA")

The ORSA is a key element of the Company's risk and capital management system and forms part of the supervisory process. The ORSA comprises the processes and procedures the Company uses to ensure that its overall solvency needs are met at all times, and which allow it to demonstrate achievement of this objective to both the Governing Body and the PRA. It is forward looking and considers the Company's capital needs over each of the years for which the Company prepares business plans. The ORSA provides management with a comprehensive assessment of the Company's risk profile, risk appetite and solvency position to enable them to understand these risks and how they translate into capital needs or require other mitigation.

The Company will carry out an ORSA at least once annually and more frequently in the event of a material change in its risk profile such as a change to the business structure or significant changes to strategy. The ORSA was produced during the year and submitted to the PRA.

The following are key inputs to the ORSA:

- The Company's risk appetite statement as reviewed and approved by the Governing Body.
- The Company's Significant Risk report.
- Outputs from the Company's Standard Formula.
- The Company's Business Plan and Corporate Strategy.
- Outputs from the Company's Capital Planning Process.
- Reports from the actuarial function, including opinions on the adequacy of technical provisions, the SCR and the Company's underwriting and reinsurance arrangements.

The scope of the Company's ORSA includes an assessment of:

- The Company's overall solvency needs taking into account its risk profile, the approved risk tolerance limits and the business strategy.
- Quantitative and qualitative elements and consideration of a range of possible outcomes.
- The Company's compliance with the capital requirements of Solvency II in respect of the Solvency Capital Requirement ("**SCR**") and the Minimum Capital Requirements ("**MCR**"), and the calculation of technical provisions.
- Forward-looking overall solvency needs.
- Frequency of capital requirement calculations.
- Review of the Company's policies and procedures to ensure compliance with technical provision rules.
- Review of whether the ORSA process successfully supports the Company's objective to operate an effective risk and solvency assessment process which is efficient, tailored to the Company's organisation structure and risks management system, and which employs appropriate and adequate techniques to assess its overall solvency needs.

ORSA Governance

The Governing Body is directly involved in the ORSA governance process through approval and challenging the ORSA result and he assumptions behind the calculation of the SCR.

The ORSA has become an embedded element of the operational process with the Finance Committee considering the requirements of the ORSA as part of its monthly meetings covering the impact on new / amended lines of business; SCR & MCR requirements and projections including stress testing carried out monthly; review of premium income and claims data on a monthly basis to support any anticipated changes to capital requirements.

The Governing Body has delegated oversight of the ORSA process and outputs to the CFO; under this delegated authority, the CFO is responsible for:

- Performing the ORSA and compiling the ORSA and ORSA Policy.
- Arranging both internal and, where appropriate, external review of both the ORSA process and its outputs.
- Escalating any material issues to the Governing Body.
- Initiating and managing the ORSA process.

- Developing communication loops within the business, which will allow the ORSA to become an embedded element of organisational processes and ensure that all key functions contribute to and are aware of risk and capital management objectives.
- Submitting the ORSA to the PRA.

Internal Control System

The Company has in place controls in order to identify, assess, manage, mitigate and control risk. The Company's control framework consists of:

- Governance framework.
- Three lines of defence.
- Control functions.
- Internal policies, for which certain Governing Body members are accountable which detail:
    - Economic controls (e.g., reinsurance).
    - Financial review.
    - Management information.
    - Physical controls.
    - Risk reviews.
    - Training and development of staff; and
    - Whistleblowing.

Internal controls are subject to (external) Internal Audit; the Internal Audit plan is aligned to the Company's risk register.

Control Functions

In addition to Senior Management Functions, the Governing Body has identified claims management as an area which also requires a Key Function holder as follows:

- Claims Management Key Function: Karen Howells-Lee

Claims Management Key Function

The Claims Management Key Function holder is responsible for the effective management of the Company's claims including ensuring adequate procedures covering the overall cycle of claims: receipt, assessment, processing, settlement, complaint and dispute settlement, and reinsurance recoverables. The Claims Management Key Function holder is also responsible for considering how to prudently manage the Company's claims management strategy.

Internal Policies

The Company has in place a number of policies which support its Risk Management Framework. These include core policies for the Principal Risks and Tier 2 risk categories, the key ones being, but not limited to:

<u>Tier 1 Risk Policies</u>

- Financial Risk
- Legal & Regulatory Risk
- Strategic Risk
- Insurance Risk

- Conduct Risk
- Operational Risk

Tier 2 Risk Policies (pertinent to the SFCR)

- Capital Risk
- Liquidity & Funding Risk
- Market & Credit Risk
- Reinsurance Risk
- Underwriting Risk
- Product Pricing
- Claims Reserving
- Claims Handling
- Complaint Handling
- Product Governance
- Information Security
- Third Party and Outsourcing
- Financial Crime Policy
- Cyber Security
- Financial Data Governance
- Emerging Technologies
- Artificial Intelligence
- Senior Managers and Certification Regime (SM&CR)
- Climate Change
- Operational Resilience

Internal Audit Function

The Company fully outsources the provision of Internal Audit activity to RSM Risk Assurance Services LLP and therefore no individual within the Company holds the SMF5 Internal Audit Function.

The Company works with its Internal Auditors to ensure a risk-based annual Internal Audit plan is in place which links to the Company's strategic objectives and is aligned to the Company's risk register. Ad-hoc assurance may also be completed as required.

Internal Audit conducts independent reviews of the Company's procedures and challenges the controls in place. In doing so, Internal Audit helps the Company to manage its risks effectively. The Internal Auditors use a risk-based approach to identify the strategic, operational, and financial risks where the Company needs assurance along with areas of control weakness. Recommendations made ensure corrective actions are implemented. Internal audit findings are reported to the Governing Body.

The Company is satisfied that the internal audit provision has adequate skills, experience, and professional qualifications, and, due to the provision being outsourced, is suitably independent.

Actuarial Function

The Chief Actuary Function holder (SMF20) is responsible for managing this activity and ensuring the best estimate calculation of technical provisions allowing for the calculation of risk and premium. The Company obtains assistance on certain actuarial matters from Lane, Clark & Peacock LLP

Reports from the Actuarial Function, including opinions on the adequacy of technical provisions, the SCR and the Company's underwriting and reinsurance arrangements, are a key input to the ORSA.

Outsourcing

To conduct operations as effectively and efficiently as possible, the Company may find it advantageous to outsource certain functions. The Company recognises its responsibility to ensure that where outsourcing is sought from a third party, it is done in a way which is compliant with regulatory rules, that enables it to achieve good consumer outcomes and where the risk can be effectively managed.

The Company has chosen to outsource internal audit provision, distribution and IT System hosting to businesses based in the UK. The Company uses a number of key suppliers, these include suppliers for actuarial services, reinsurance, claims loss adjusters and taxation services.

To support its approach to outsourcing, the Company has in place a Third Party and Outsourcing Risk Policy.

Adequacy of the System of Governance

The Company continues to ensure its system of governance is adequate for its nature, scale and complexity of the risks inherent in its business.

The Governing Body regularly reviews recommendations and outcomes from internal audit, external audit and internal compliance monitoring. Industry guidelines and best practice are also reviewed in conjunction with internal MI, root cause analysis and risk events.

The Company's governance is significantly strengthened by the Non-Executive Directors who provide independent challenge.

Other Material Information

There is no other material information regarding the system of governance of the Company.

Risk Profile

The Company holds capital as protection against potential losses from residual risk exposures, i.e., those remaining after all the control measures to prevent the risk from materialising have been taken into account.

The Company's Risk Management Framework is used to identify, assess, respond, monitor and report risk. One of the Company's predominant risks is insurance risk, arising from the provision of its range of Pet, Horse and non-animal (including Caravan) policies.

The Company monitors its insurance risk exposure by calculating its current and future SCR and MCR on a monthly basis. In addition, monthly SCR stress tests are carried out.

	Gross Solvency Capital Requirement	
Solvency Capital Requirement	**2023** **£000**	**2024** **£000**
Market Risk	5,146	5,218
Counterparty Default Risk	3,315	2,589
Non-Life Underwriting Risk	20,962	17,037
Diversification	(4,748)	(4,363)
Basic Solvency Capital Requirement	**24,674**	**20,483**
Operational Risk	2,092	2,356
Solvency Capital Requirement (SCR)	**26,766**	**22,839**

Principal Risks

The Company manages risk through the Risk Management Framework which articulates the Principal Risks and associated tier 2 risks through the risk taxonomy. The risk taxonomy is managed through the three lines of defence model.

All Risk Appetite Statements are underpinned by a series of tolerances which the Company manages / reports. Where tolerances are outside performance, the Governing Body is notified and management action is appropriately undertaken.

The management of each identified Principal Risk is set out below.

Insurance Risk

Insurance Risk is the risk that an insured event may occur requiring the Company to pay a claim. It also covers the risk that an underwritten inaccurate assessment of associated risks or uncontrollable factors not included in the Policy's exclusion list may result in significant increase in the Company's cost of claims settlement and exceed earned premiums.

Insurance Risk is managed within the following framework:

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
Insurance	Underwriting	COO	Incorrect underwriting and inaccurate assessments of associated risks not included in the policy development and exclusion lists which could result in significant increases in ELICO's cost of claims and impact premium earnings.	ELICO has limited appetite for an underwriting loss and would expect to make a level of underwriting profit in order to cover overheads and provide a return to the shareholder.
	Pricing	Chief Commercial Officer	Product pricing does not reflect the underlying risk of cover or associated operating costs of managing policies which leads to customer detriment, higher than expected claims ratios and loss to ELICO.	ELICO has no appetite for loss making schemes nor does it have any appetite for schemes that provide poor value to the customer. Any schemes that do not provide fair value or are loss-making will be suspended as soon as this is identified.
	Concentration	Chief Actuary	The insured risk is disproportionately skewed towards a concentrated geographical area that could result in a disproportionate number of claims for any single type of product.	ELICO has no appetite for a concentration of risk with a loss potential sufficient to threaten the solvency of the financial position of ELICO's undertakings.
	Reinsurance	Chief Financial Controller/ Chief Risk & Compliance Officer	An event outside of ELICO's appetite is not covered by a reinsurer due to misunderstanding of the policy terms including at an appropriate cost.	ELICO has limited appetite for a reinsurer being unable to settle potential claims as and when they fall due, either due to financial stability or unexpected exclusions.
	Claims Reserving	Chief Actuary	Future claims payments for policies on cover are under- or over-estimated by a material amount and/or current projections predict significant future losses.	ELICO has limited appetite for a material understatement of the claims reserve.

The Company recognises that the future is subject to uncertainty and has therefore considered key stresses and scenarios which may impact upon its plans and expectations. This testing includes the exposure to a major underwriting loss event such as a major animal epidemic which could put the Company in breach of the Solvency II SCR and the impact of inflation on the technical provisions. The Company has also considered scenarios whereby claims increase faster than premium growth, thereby eroding the profit margin. Such testing includes projected profit, loss and solvency position for these events.

Major Animal Epidemic

The Governing Body has identified the biggest risk to the Company is a major animal epidemic or series of epidemics to hit the United Kingdom. This risk is mitigated as all DEFRA notifiable diseases are not covered by the insurance policies underwritten by the Company as statutory compensation arrangements would apply. Moreover, it is a policy condition that all animals are vaccinated.

The Company has undertaken stress tests where 5% of insured cats were affected by Key-Gaskell Syndrome, 5% of insured dogs contracted Parvo Virus, and 5% of insured horses contracted West Nile Fever. This test has evidenced that such losses (below epidemic status) would not lead to a breach of the SCR as the reinsurance policies would mitigate the risk.

Increase in Claims and Impact of Inflation

The Company has considered scenarios whereby claims increase faster than premium growth, thereby eroding the profit margin. In the event of such a scenario, with further reductions in expenses being possible along with price increases, it is unlikely that the Company would breach the SCR.

The Company's reserves and claims from underwritten policies are exposed to the risk of changes in claims development patterns arising from inflation. The Company considers the impact of excess inflation on its claims payments and technical provisions as part of its on-going stress testing.

Single Caravan Site Concentration

The Company is exposed to the risk of a fire at a single site such as a caravan storage facility. The scenario tested considered 1 in 200 loss at a single site. Stress tests identified losses would fall well within tolerance for prudent capital requirements.

Financial Risk (Including Market, Credit and Liquidity Risk)

Financial risk is the risk that the Company may not be able to meet with its financial and capital requirements and ensure financial reporting requirements are timely and to the required standard. Financial Risk is managed by the following framework:

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
Financial	Capital	Chief Financial Controller	ELICO's regulatory capital resources are inadequate to cover its regulatory capital requirements.	ELICO has limited appetite for not meeting its capital regulatory requirements and will ensure eligible capital remains within regulatory requirements at all times and, as a minimum 10% above the SCR Capital Risk Appetite. ELICO will calculate its SCR Capital Risk Appetite annually based on the largest single possible stress event scenario.
	Market, Credit & Counterparty	Chief Financial Controller	Value of financial assets or liabilities (including credit exposure and off-balance sheet instruments) are adversely affected by significant changes in underlying market values and the risk that a counterparty, including a reinsurer fails to meet its contractual financial obligations.	ELICO has limited appetite for loss of investment or inability to recover amounts due, as a result of failure of a material counterparty and ensures all Banking and Reinsurance counterparties maintain the minimum credit rating of 'B' or above at all times.
	Liquidity & Funding	Chief Financial Controller	ELICO is unable to meet its obligations as they fall due or can only do so at excessive cost and/or the inability to raise and maintain sufficient funding to support the business plan.	ELICO has no appetite for not holding sufficient liquid assets in terms of quantum and quality, to meet a minimum of 100% of Outstanding Claims Reserves and 50% of IBNR at all times.

Market Risk

The Company currently places its assets in line with its investment strategy and in accordance with the Prudent Person Principle. The Company limits its exposure to market risk by investing in low-risk bank deposits, UK Treasury Bills and property with the objective of avoiding potential adverse fluctuations in asset values. The objectives ensure diversified splits across different types of assets and within the same asset category, while also ensuring only banks with strong credit ratings are used. The investment strategy also sets specific concentration and duration limits for the various asset classes. Investment properties are subject to an independent valuation on a periodic basis.

The Company has invested in commercial property with long term profitable tenants where the receipt of the rent is not a major risk. The Company undertakes stress testing for the adverse change in property values (by 10% and 20% of the book value) and continues to monitor property values closely. Such tests suggest that the Company would remain compliant with the SCR and MCR.

Market Risk is measured monthly via the market risk appetite measures and by reference to commercial property valuation reports in the media and the Nationwide house price index, along with changes in the Bank of England Base Rate.

Credit /Counterparty Risk

The Company's credit and counterparty risk comes from its investment portfolio, including bank deposits, it's reinsurance counterparties and amounts due from its insurance intermediaries.

Investment Activities

The Company stress tests adverse changes in bank credit ratings; falls to BBB and BB have been tested. A fall to BB would not result in a breach of the SCR. A fall to B could lead to a breach, however, as the majority of cash balances are held on demand or in short-term notice deposits, there would be no penalty or delay in withdrawing funds with which to place elsewhere.

Reinsurance

The Company's counterparty risk appetite for reinsurance counterparties is to maintain the minimum credit rating of "B" or above at all times.

Ratings are monitored on a monthly basis and any breaches of the appetite will be reported to the Risk and Compliance function for consideration of the appropriate action, and to the Risk Committee and Governing Body in line with Risk Appetite monitoring processes.

This risk is further mitigated by the use of multiple reinsures where possible.

Insurance Receivables

The Company monitors receivables due from it Appointed Representatives on a monthly basis to ensure they are in line with the contractual agreements. An annual oversight review of each Appointed Representative is also carried out, which includes a credit review. Stress testing is also carried out on the receivables balance due on a monthly basis.

Liquidity Risk

The Company has no appetite for Liquidity Risk, and it carries out cash-flow matching projections to ensure that sufficient liquid funds are available to meet liabilities as they fall due.

Liquidity Risk is measured monthly by ensuring its demand cash balances are sufficient to cover the Technical Provisions.

Liquidity Risk is controlled through the Company's bank holdings which is intended to provide sufficient liquidity for the short to medium term needs. No change to holdings is permitted without Governing Body approval.

The Company monitors liquidity cover on a monthly basis through its Risk Appetite monitoring process and carries out stress testing on its liquidity position.

No expected profits are included within the future unearned premiums calculated in accordance with Article 260 (2).

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events. Operational Risk is managed by the following framework:

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
Operational	People	Chief Legal & People Officer	Inappropriate employee behaviour, inadequate resource (people, capability, and frameworks), resulting in customer or financial detriment, and/or regulatory censure.	ELICO has limited tolerance to not deliver a sustainable pipeline of competent and diverse people within required time frames and budget and has no appetite to sustain a workplace culture which does not retain talent and comply with legal and regulatory requirements, as well as business values.
	Financial Crime	Chief Experience Officer	Change is not designed or delivered successfully (delivery risks) and/or that the change deliverables adversely impact ELICO's risk profile (associated risks of change) – this definition covers all change activities.	ELICO has limited appetite for not delivering change on time, within approved budgets, and at an acceptable quality in accordance with ELICO's strategic plan.
	Business Continuity	Chief Information & Technology Officer	ELICO's operations are disrupted, including people, loss of premises, loss or significant disruption with a third party or system unavailability, compromising its ability to service its customers and provide good customer outcomes.	ELICO acknowledges business continuity events may occur but has zero tolerance for not being able to continue to operate within impact tolerances, and limited tolerance for recovering operations outside of pre-agreed service levels.
	Third Party / Outsourcing	Chief Information & Technology Officer	Third party and/or outsourced relationships do not provide the service for which they have been relied upon to provide products and/or services which support ELICO's operations and performance, compromising good customer outcomes and resulting in financial loss, reputational damage, and/or regulatory fine/censure.	ELICO has limited appetite for not managing all third-party suppliers in line with a consistent, defined framework which aligns to business expectations and regulatory requirements.
	Operational Resilience	Chief Operating Officer	ELICO is unable to prevent, adapt, respond to, recover and learn from operational disruptions, compromising good outcomes, including causing intolerable harm, and resulting in financial loss and/or regulatory fine/censure.	ELICO has a limited appetite for not being able to prevent, adapt, respond to, recover and learn from operational disruptions.
	Financial Crime	Chief Experience Officer	ELICO is subject to an act or an attempt (internal or external) to steal, defraud, manipulate, or circumvent established rules for gain, including money laundering and is unable to identify and/or prevent any resulting loss resulting in financial loss and/or regulatory fine/censure.	ELICO has limited tolerance for external fraud outside defined annual budget tolerances balanced with customer outcomes not exceeding industry benchmarks, whilst complying with relevant legal and regulatory requirements. ELICO has zero tolerance for internal financial crime events (including internal fraud and Anti-Bribery & Corruption) and for Money Laundering offences.
	Technology	Chief Information & Technology Officer	Lack of effective IT infrastructure, systems and plans to support ELICO now and throughout its medium-term business plan to deliver against its strategic objectives.	ELICO has limited appetite for not maintaining IT infrastructure and systems to deliver resilient and available service to customers and colleagues in line with business requirements.
	Information Security	Chief Information & Technology Officer	IT infrastructure, systems and information assets are not secure or available when required.	ELICO has limited appetite for not protecting its IT infrastructure, systems and information assets from being compromised.
	Cyber Security	Chief Information & Technology Officer	Cyber-attack, whether successful or otherwise, resulting in customer detriment and/or business disruption.	ELICO accepts cyber-attacks will occur but has a zero tolerance for any material customer detriment or business disruption as a result of a cyber-attack, successful or otherwise.

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
	Artificial Intelligence	Chief Information & Technology Officer	ELICO's or its ARs' use of AI compromises customer and/or ELICO/AR data and/or compromises good customer outcomes and resulting in financial loss and/or regulatory fine/censure.	ELICO has no appetite for it or its ARs sharing any personal data (customer, potential customer or staff data); or any ELICO/AR commercially sensitive data or identifiable information with AI; further ELICO currently has limited appetite for using AI in its operations. Until such time as ELICO has investigated, clearly identified and provided adequate mitigation for the risks associated with the use of generative AI, its use must be approved in advance by the appropriate HoD and tow of the CEO, CFO and COO, and logged so that its purpose, the information shared, and AI system used can be monitored.

The Company manages operational risk through a framework of robust systems and controls which include:

- Risk and Control Self -Assessment (RCSA): Each business division performs regular risk and controls assessments to identify key risks and details the controls in place to manage and monitor those risks.
- Incident Reporting System: This is used by staff for reporting any operational incidents which are reviewed by the Risk & Compliance Function.
- Internal Committees and working groups reviewing and reporting material operational risks.

Stress testing is performed on operational risks by materially increasing the Company's overhead costs as a result of operational failures.

Other Material Risks

Strategic Risk

Strategic Risk is the risk that poor business decisions or strategy due to internal or external developments may inhibit the Company's ability to achieve its strategic objectives, profitability, sustainability, long term positioning and performance whilst impacting on the long-term interests of stakeholders. Strategic Risk is managed by the following framework:

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
Strategic	Business Risk	CFO	Appropriate and proportionate process is not in place to create and monitor the performance of ELICO's strategic plan including having adequate controls in place to monitor macro-economic developments which may cause harm.	ELICO has limited appetite for poor product strategy which could result in products or promotions being directed at the incorrect market or which could result in writing too little / too much business which could impact on the strategic development and/or capital position.
	Culture	CEO	The Governing Body does not demonstrate, and ELICO's employees do not exhibit, the right culture and behaviours due to a lack of understanding of responsibilities and inability to challenge where poor culture or behaviours are exhibited.	ELICO has limited appetite for a culture that does not promote its values.

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
	Governance	Company Secretary	The Governing Body and executives do not operate effectively with the right skills and experience, and in a legal, ethical and transparent manner which is in the best interests of ELICO.	ELICO has limited appetite for poor organisational structure and governance and will preserve its reputation for fairness with customers and the regulators.
	Climate	CFO	Insufficient planning and awareness, including provision in ELICO's strategy, of climate change and reduction in carbon footprint.	ELICO has low tolerance for products with no exclusions for climate related disasters including man-made and natural disasters, epidemic and climate change.
	Group	CEO	Loss or negative impact arising out of intra-group transactions and/or arrangements with other companies which form part of the same group as ELICO.	ELICO may transact business and/or undertake arrangements with other companies of the wider group, however, it must be able to demonstrate that (a) no conflicts of interest exist OR any conflicts that do exist have been identified and have appropriate actions in place to manage and monitor them; AND (b) there is a sound commercial reason for doing so.
	Emerging Technologies (e.g., Artificial Intelligence)	CEO	ELICO does not recognise or take advantage of emerging technologies in a timely manner resulting in its offering falling behind that of its competitors and/or inability to enhance operational effectiveness and realise efficiencies, resulting in reduction in profitability and sustainability.	ELICO has a limited appetite for not maintaining pace with its competitors regarding the use of emerging technologies. ELICO will put in place strategies and processes, and ensure that it has the right resource, to identify and understand opportunities as they arise.

Conduct Risk

Conduct Risk is the risk of conducting business, including the Company's behaviours, operating model and culture, in a way that leads to customer detriment or unfair outcomes. Conduct Risk is managed by the following framework:

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
	Vulnerable Customers	Chief Experience Officer	ELICO's products and services do not take into account customers with characteristics of vulnerabilities, whether permanent or transitory, compromising good customer outcomes.	ELICO has zero tolerance for any negative impact that its products, processes and decisions could have on vulnerable customers and will act accordingly.
Conduct	Product Governance	Chief Commercial Officer	Design of ELICO's products compromises good customer outcomes, and results in significant regulatory breaches, financial loss or reputational damage.	ELICO has limited appetite to design and distribute products which it believes its customers do not need, which do not offer value for money, are not promoted honestly and transparently, are not distributed and sold appropriately, and do not perform as customers have been led to expect.
	Customer Communications (inc Financial Promotions)	Chief Commercial Officer	ELICO's communications with customers, including its documentation, do not meet their information needs, including, Appointed Representatives not complying with relevant regulations and ethical standards which mislead customers in to buying unsuitable or failing to buy suitable products for their needs and requirements.	ELICO has limited appetite for communications, including policy documentation, which do not take into account customers' needs. ELICO has limited appetite for its products being promoted in a way which is not clear, not fair or could be considered misleading.

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
	Customer Acquisition	Chief Commercial Officer	ELICO's distributors and/or distribution arrangements compromise good customer outcomes and result in financial loss and/or regulatory censure/fine.	ELICO has no appetite for distributing directly to customers. ELICO has no appetite for its appointed representatives to offer advised sales or for offering products which do not meet the demands and needs of its customers. Where mis-selling occurs, and customer detriment is identified, ELICO will be pro-active in undertaking remediation activity and addressing the root cause.
	Claims Handling	Chief Experience Officer	Claims are not processed in a timely, informed and quality manner as expected by our customers and in line with regulatory expectations, compromising good customer outcomes and resulting in financial loss and/or regulatory censure/fine..	ELICO has limited appetite for not handling its claims as per defined processes and procedures, within agreed service levels, and to defined quality standards whilst maintaining regulatory adherence.
	Customer Servicing	Chief Experience Officer	Policy administration is not undertaken in an appropriate or timely manner, compromising good customer outcomes, and resulting in financial loss and or regulatory censure/fine.	ELICO has limited appetite to take decisions or provide guidance which lead to customer detriment or harm.
	Complaint Handling	Chief Experience Officer	Complaints are not identified, managed and/or resolved in an appropriate and timely manner, compromising good customer outcomes and resulting in financial loss and/or regulatory censure/fine.	ELICO has limited appetite for handling complaints in an unfair or untimely manner.

Legal & Regulatory Risk

Legal and Regulatory Risk is the risk of non-compliance with regulatory and legal requirements and standards. This covers regulatory reporting, regulatory and legal censures, sanctions and potential fines. Legal and Regulatory is managed by the following framework:

Principal Risk	Tier 2 Risk Policy	Business Owner	Tier 2 Risk Description	Risk Appetite Statement
Legal & Regulatory	Regulatory Risk	Chief Risk & Compliance Officer	ELICO breach the letter and spirit of relevant regulations, guidance, codes of practice or standards of good market practice.	ELICO has zero tolerance for any material breach of its regulatory requirements and will at all times seek to achieve and maintain compliance with all relevant regulatory requirements, however it is acknowledged that unintentional breaches may occur which will be remediated as and when they transpire.
	Legal Risk	Chief Legal & People Officer	ELICO does not maintain compliance with applicable laws; contractual arrangements with customers, suppliers and other 3rd parties are not enforceable as intended or enforced in an unexpected way or do not operate as expected.	ELICO has zero tolerance for non-compliance with all applicable laws and will implement and maintain effective controls to manage the risk of non-compliance with law and reduce legal risk exposure.
	Litigation	Chief Legal & People Officer	Litigation by or against ELICO is not appropriately managed to protect ELICO's reputation and achieve the best outcome leading to legal and/or regulatory censure, financial and reputational loss.	ELICO has limited tolerance for litigation outside its actual exposure and financial tolerances.

Other Significant and Emerging Risks

The Governing Body review significant risks on a quarterly basis, or more regularly as required through the governance structure of the Company, which includes the Governing Body, Risk Committee and the Risk & Compliance Forum. Risks which have been under management during the reporting period, and which are continuing to be managed include:

Macro-Economic Environment (including inflation and recession; as well as impacts as a result of geopolitical instability)

Considerable focus continues to be given to the macro-economic environment, including factors such as the impact of inflation, interest rate uncertainty and geo-political instability and its effect on commodity prices and the potential for recession in the UK. These factors continue to be monitored very closely across the business, especially in terms of the impact on premium pricing, profitability with a potential fall in investment income, vets' fees inflation as a result of increased medicine costs, and the upward pressure on staff and other operational expenditure.

The Company performs monthly stress testing to assess the impact of changes in the rate of inflation, interest rates, UK property values and operational expenditure levels on its profitability and capital position.

Operational Resilience and Cyber Security

Continuing development of the Company's Operational Resilience framework with actions in place to ensure the resilience of Key Business Services and their ability to operate within impact tolerances as soon as reasonably practicable within the transitional period to 31 March 2025. Risks continue to be assessed and proportionally managed in relation to technical debt, effective Third- Party Management and Outsourcing arrangements, and the ongoing assessment and evolution of Business Continuity Management.

The continued strengthening of the Company's cyber resilience and data security to mitigate against the risk of a cyber-attack, remains an area of key focus. A comprehensive review has been undertaken to identify areas to enhance controls around cyber resilience from both internal and external threats.

Underwriting and Pricing

Underwriting and pricing receives senior management monitoring and oversight to ensure the Company continually assesses its underwriting and pricing strategies. Policyholder numbers and profitability are monitored monthly to assess the impact of pricing changes and the enhanced use of data analytics platform supports evaluation of product performance. Product governance processes and procedures, including fair value assessments, are in place which also deliver against the Consumer Duty requirements.

Changes to Regulation

Volume and complexity of regulatory change continues to be monitored through the enhanced horizon-scanning process, with the introduction of a formal and structured gap analysis, where required, to assess the impact of change on the Company. The key focus areas presently are to ensure on-going compliance with Consumer Duty requirements, the implementation of changes in the Appointed Representatives regime and PRA changes to the Solvency II reporting regime under Solvency UK.

Climate Change

The impact of climate change is reviewed through the Company's Risk Management Framework and forms part of the development of its overall Environmental, Social and Governance strategy. Climate change and the ongoing assessment of climate change requirements remain as a key focus for the Company and is considered within the company's business strategy. This risk is governed by the Climate Risk policy which was developed during the year.

Risks associated with climate change are becoming of increasing importance to the Company, its regulators and customers. Along with all organisations, the Company has a duty to take seriously its impact on the environment and has taken steps to reduce its carbon footprint, manage waste, and use less energy.

The Company's financial risks from climate change arise through two primary risk factors, physical and transition. Physical risks from climate change relate to specific weather events (such as heatwaves, floods and windstorms) and longer-term shifts in the climate (extreme weather variability, sea level rise etc.). Increasing frequency, severity or volatility of extreme weather events will increase the underwriting and reserving risk for property and casualty insurers.

The Company's exposure to the physical risks of climate change is considered limited but will be mitigated through the purchase of reinsurance and the monitoring of concentration risk exposure. Reserving risk related to the physical risks of climate change are considered through the Events Not in Data ("ENID") provision, which forms part of the overall Solvency II technical provisions. The Company also carries out stress testing on a monthly basis, including the risk of illness/death amongst pets from climate related risks.

The Company will align its investment strategy with the Climate Risk Policy, specifically in terms of its property investments. The Company will ensure all buildings meet the minimum energy efficiency requirements and investments are in line with the Company's ESG goals and targets. The increase in the frequency and severity of extreme weather events will be the main risk the Company is exposed to from climate change through its household lines of business, and will impact the Company's view of underwriting risk, reinsurance and pricing in this area.

Emerging Technology and Artificial Intelligence

As part of its on-going strategy, the Company has identified opportunities for the use of Artificial Intelligence ("AI") in its business and the possible solutions it could provide. An Emerging Technologies working group is in place and the use of such technology has been built into the IT strategy which is overseen by the Governing Body. Emerging Technologies has also been added as a Tier 2 risk and a policy and set of ethical guidelines developed setting out how the Company intends to use emerging technologies, including AI.

People Risk

The challenge of recruiting and retaining staff remains a key risk to the business. The Company continues to develop its staff benefits, training and development programmes as well as monitor it succession planning.

Any Other Disclosures

The Company's niche insurance business model holds inherent risk; however, the Company's strategy is to mitigate the risks through the diversification into different niche products. The Company uses reverse stress testing to determine events and/or circumstances which could undermine its ability to continue in operation. These may be quantifiable events such as a catastrophic loss which reduces available assets below the level at which the Company can continue to offer insurance. Alternatively, there may be events resulting in severe reputational impact which make issue of further insurance products unadvisable/impossible, leading to the Company initiating a controlled run off of its insurance business.

Overall solvency needs which will be forward looking and test possible outcomes of the Company's Business Plan. The ORSA identifies and takes into account external factors that could have an adverse impact on overall solvency needs or the level of available own funds and includes stress tests, reverse stress tests and sensitivity and scenario analysis. Full details of stress testing are provided in the ORSA.

The assets of the Company have been invested in accordance with the 'prudent person principle.' The Company has developed a set of key risk indicators across all the risk categories in addition to information provided by third parties, including financial soundness of the banks, secured borrower and insurance intermediaries. The Company has not extended its investment activities beyond its existing activities. The Company reviews and recalculates the value of the security on a quarterly basis in order to ensure that it is sufficient to cover the secured loan and takes into account its ability to realise the assets. The Company recognises the need for low-risk assets and sets its profitability targets accordingly. The Company does not invest in assets held or owned by businesses where there are conflicts of interest nor does the Company invest in unit-linked contracts, index-linked contracts, assets not admitted for trading on a regulated financial market, derivatives or securitised investments.

Valuation for Solvency Purposes

Assets

The following table details the Company's assets as at 30 September 2024:

Assets	**Statutory Accounts 2023 £000**	**Solvency II 2023 £000**	**Statutory Accounts 2024 £000**	**Solvency II 2024 £000**	**Financial Statements**	**Solvency II**
Property, plant & equipment held for own use	3,203	3,203	2,303	2,303	Includes own building and other fixed assets for own use	As per financial statements
Investments (other than assets held for index-linked and unit-linked contracts)	5,521	5,521	5,921	5.921	Investment property at valuation	As per financial statements
Government Bonds	2,022	2,022	4,263	4,263	UK Gilts at Fair value	As per financial statements
Deferred Acquisition Cost	69	-	85	-	Costs amortised over the remaining life of annual policies	Not recognised under SII as no future cash flow impact
Deferred Tax Debtor	-	-	27	27	Deferred Tax Asset on timing differences	Deferred Tax Asset on timing differences
Loans on Policies	69	69	270	270	Premiums due from customers	As per financial statements
Other Loans and Mortgages	22,132	23,204	22,446	24,121	Secured Loan	SII includes the addition of future interest cash flows
Insurance Intermediaries	2,136	-	2,161	-	Premiums due from intermediaries	Included within Premium Provision (5.2)
Reinsurance Receivables	5,910	(585)	124	(104)	Includes Reinsurers Unearned Premium / share of claims	Reinsurers share of Technical provisions
Receivables (trade, not insurance)	758	296	1,009	712	Includes Prepayments and other non-insurance Inter-company debtors	Prepayments not recognised under SII as no future cash flow impact
Cash and Cash Equivalents	29,486	29,486	27,704	27,704	Demand balances	As per financial statements
Total Assets	**71,306**	**63,216**	**66,313**	**65,217**		

Technical Provisions

Technical Provisions represent the best estimate of the future claims, including those claims already made but not yet paid, based on past experience and judgment, along with the Provision for Unearned Premium for Premiums received relating to future periods. The Solvency II basis differs from the Statutory Accounts basis and takes into account the discounted values of future premiums, claims and expense cash-flows relating to expired periods of claims risk and unexpired periods of premium provisions for all legal obligations at the valuation date.

The following table details the Company's technical provisions as at 30 September 2024:

Provisions	**Statutory Accounts £000**	***General Liability Solvency II***	***Miscellaneous Financial Loss Solvency II***	**Property Solvency II**	**Solvency II £000**	**Financial Statements**	**Solvency II**
Premium provision	7,647	121	1,680	68	1,868	Unearned Premium element of insurance policies	Discounted best estimate of all future cash flows (claims payments, expenses and future premiums) relating to future exposure arising from policies that the insurer is obligated to at the valuation date
Claims provisions	7,440	108	6,856	215	7,179	Expected future claims due on current policies	Discounted value of future claims payments
Best estimate	15,087	229	8,536	283	9,048	Total Unearned Premium plus claims provision	SII recognises discounted value on cash flow basis
Risk margin	-	10	615	19	644	Not recognised in Financial Statements	Projected future cost of capital requirement in the event of run off
Technical provisions – non-life (excluding health)	**15,087**	**239**	**9,151**	**302**	**9,692**		

The following table details the Company's technical provisions as at 30 September 2023:

Provisions	**Statutory Accounts £000**	***General Liability Solvency II***	***Miscellaneous Financial Loss Solvency II***	**Property Solvency II**	**Solvency II £000**	**Financial Statements**	**Solvency II**
Premium provision	7,461	*17*	1,093	*34*	1,144	Unearned Premium element of insurance policies	Discounted best estimate of all future cash flows (claims payments, expenses and future premiums) relating to future exposure arising from policies that the insurer is obligated to at the valuation date
Claims provisions	7,316	*105*	6,*685*	*210*	7,000	Expected future claims due on current policies	Discounted value of future claims payments
Best estimate	14,777	*121*	*7.736*	243	8,144	Total Unearned Premium plus claims provision	SII recognises discounted value on cash flow basis
Risk margin	n/a				1,934	Not recognised in Financial Statements	Projected future cost of capital requirement in the event of run off
Technical provisions – non-life (excluding health)	**14,777**				**10,078**		

Risk Margin

The risk margin covers the insurer's need to hold capital against non-hedgeable risks. This requires a projection of the solvency capital, so as to ensure that the value of the technical provisions is equivalent to the amount that another insurer would be expected to require in order to take over and meet the relevant insurance liabilities over their lifetime. This is determined using a cost of capital rate using a prescribed method.

The regulations prescribe a 4% cost of capital charge. This approximates the additional return a third party would require for holding this SCR and so represents the additional premium that would need to be paid by the Company in the event of transferring the liabilities.

There is a degree of uncertainty associated with the valuation of Technical Provisions as actual experience will differ from expectations, and the assumptions made may not be borne out in practice. The Company does not expect there to be a significant level of uncertainty, although factors affecting the uncertainty includes future legislative changes, future expenses and unearned exposures.

The Company has not made use of the transitional risk-free interest rate-term structure. The Company has not made use of the transitional deduction. There are no anticipated recoverables from reinsurance contracts and special purpose vehicles.

Gross undiscounted Best Estimate Claims Provisions

(absolute amount £000)

	Development Year											Year end (discounted data)
Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10&+**	
Prior											-	-
2015	7,205	960	185	95	-	-	-	-	-	-		-
2016	8,560	425	65	95	-	-	-	-	-			-
2017	9,642	150	65	95	-	-	-	-				-
2018	4,288	140	65	137	-	-	-					-
2019	4,958	140	175	91	-	-						-
2020	6,417	413	172	327	-							-
2021	7,589	382	535	653								630
2021	8,284	710	835									806
2023	5,744	741										715
2024	5,212											5,029
												7,179

Other Liabilities

Other liabilities include Insurance Premium Tax and amounts due to reinsurers. The following table details the Company's other liabilities as at 30 September 2024:

Liabilities	Statutory Accounts 2023 £000	Solvency II 2023 £000	Statutory Accounts 2024 £000	Solvency II 2024 £000	Financial Statements	Solvency II
Financial liabilities other than debts owed to credit institutions	1,356	1.356	2,268	2,268	Insurance Premium Tax and HMRC due shortly after the period end	As per Financial Statements
Payables (trade, not insurance)	22	22	35	35	Amounts due to group companies	As per Financial Statements
Any other liabilities, not elsewhere shown	6,246	339	735	631	Includes Reinsurance creditor, Policyholder refunds, and accruals	Only includes Policyholder refunds and Accruals. Reinsurance creditor included within Reinsurance receivables (5.1)
Corporation Tax	310	310	(294)	(294)	Corporation Tax balance	As per Financial Statements
Deferred Tax Liability	129	129	-	-	Deferred Tax Liability	As per Financial Statements
Total Non-Insurance Liabilities	**8,063**	**2,156**	**2,744**	**2,639**		

Capital Management

Note: for the purpose of these calculations, the standard parameters rather than undertaking specific parameters have been used.

Own Funds

The Solvency II Balance Sheet position of the Company along with the SCR and MCR as at 30 September 2024 is as follows:

Solvency II Balance Sheet at 30 September			
	2023 £000	**2024 £000**	**Section**
Total Assets	63,216	65,217	5.1
Total Technical Provisions	(10,078)	(9,692)	5.2
Non-Insurance Liabilities	(2,156)	(2,639)	5.3
Own Funds	**50,982**	**52,886**	
Solvency Capital Requirement	26,772	22,839	
Capital Surplus	24,210	30,047	
SCR Coverage Ratio	190%	232%	
Minimum Capital Requirement	6,757	7,228	
MCR Coverage Ratio	755%	732%	

The Company's own funds as at 30 September 2024 were £52.9 million (2023: £51.0m). These own funds comprised £32.5 million of ordinary share capital (2022: £32.5m) and £20.4 million of retained profit and loss and other reserves (2023: £18.5m).

All of the Company’s own funds, with the exception of the Deferred Tax balance, are Tier 1 basic own funds and all are available to meet the SCR and the MCR without restriction.

	Total 2023 £000	**Tier 1 * 2023 £000**	**Total 2024 £000**	**Tier 1 * 2024 £000**	**Tier 3 2024 £000**
Ordinary Share Capital	32,450	32,450	32,450	32,450	-
Reconciliation Reserve	18,532	18,532	20,409	20,409	-
Deferred Tax	-	-	27	-	27
Total Basic Own Funds	50,982	50,982	52,886	52,859	27
Total available own funds to meet the SCR	50,982	50,982	52,886	52,859	27
Total available own funds to meet the MCR	50,982	50,982	52,859	52,859	-
Total eligible own funds to meet the SCR	50,982	50,982	52,866	52,859	27
Total eligible own funds to meet the MCR	50,982	50,982	52,859	52,859	-

* Tier 1 Unrestricted

There are no ancillary own fund items and no deductions are required to be made from own funds. Non-linked assets that make up the Company’s own funds are predominately invested to preserve capital values and to generate a reasonable return.

The SCR Capital Risk Appetite has been increased from 143% to 152% during the year.

The Company has set an SCR Target at 10% above the SCR Capital Risk Appetite and would expect to remain above this level at all times, however falling below this level will not signify a breach in the SCR Capital Risk Appetite policy, instead close monitoring and reporting to the Governing Body (at the next meeting) will be required, in order to highlight a falling SCR Cover.

The Company has set an SCR Trigger at 5% above the SCR Capital Risk Appetite and would expect to remain above this level at all times, however falling below this level will not signify a breach in the SCR Capital Risk Appetite policy, instead identifying steps to bring it back up above the SCR Trigger and SCR Target will be required along with reporting to the Governing Body immediately.

The Company calculated its SCR and Own Funds at least monthly during the year.

Minimum Capital Requirement and Solvency Capital Requirement

The Company's MCR and SCR as at September 2024 are shown below:

Capital Requirement	2023 £000	2024 £000
Minimum Capital Requirement (£000)	6,757	7,228
Solvency Capital Requirement (£000)	26,766	22,839
Available Capital (£000)	50,982	52,886
Surplus Capital (£000)	24,216	30,047
Solvency Ratio (MCR basis, SCR basis)	755%, 190%	732%, 232%

The SCR by risk category is as follows:

	Gross Solvency Capital Requirement	
Solvency Capital Requirement	**2023 £000**	**2024 £000**
Market Risk	5,146	5,218
Counterparty Default Risk	3,315	2,589
Non-Life Underwriting Risk	20,962	17,037
Diversification	(4,748)	(4,363)
Basic Solvency Capital Requirement	**24,674**	**20,483**
Operational Risk	2,092	2,356
Solvency Capital Requirement (SCR)	**26,766**	**22,839**

Non-life underwriting risk remained the main component of the SCR.

The Company calculates the capital it is required to hold against residual risk exposure on the Solvency II basis, using the Standard Formula model, adjusted for the use of Undertaking Specific Parameter's as detailed below.

Undertaking Specific Parameters ("USP")

A USP is used in the calculation of Premium Risk for the Miscellaneous Financial Loss segment. The calibration of the "Miscellaneous Financial Loss" in the standard formula did not reflect the Company's insurance risk profile.

"Miscellaneous Financial Loss" is a generic category for insurance that is not covered by more specific categories. It includes insurance obligations which cover employment risk, insufficiency of income, bad weather, loss of benefit, continuing general expenses, unforeseen trading expenses, loss of market value, loss of rent or revenue, indirect trading losses, other financial loss as well as any other risk of non-life insurance not covered by the specific lines of business. Given the wide range of insurance obligations covered by the "Miscellaneous Financial Loss" category, it is by nature generic and hence not representative of any of the heterogeneous insurance obligations which get allocated in this category.

For the above reasons, it was the Company's view that the standard formula parameter calibration used for "Miscellaneous Financial Loss" for premium risk did not accurately reflect the Company's risk profile. As a result, the Company made an application to the PRA, approved by the Governing Body, to use a USP for its insurance portfolios (aggregated within "Miscellaneous Financial Loss") to allow the Company to more closely match capital requirements to its risk profile. The application to use the USP was approved by the PRA in June 2024. An annual review of the USP calculations will be undertaken by the Actuarial Function, with support from its independent actuarial advisors.

Where the Standard Formula is used for any risk modules, no simplification calculations are applied.

The Company has not used any internal model in the calculation of the SCR.

The Company has not used the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

Minimum Capital Requirement – Linear Formula Component

	2023 £000	**2023 £000**	**2023 £000**	**2024 £000**	**2024 £000**	**2024 £000**
MCRNL Result	6,757			7,418		
		Net (of reinsurance) best estimate TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months		Net (of reinsurance) best estimate TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
General Liability Insurance		122	655		229	718
Miscellaneous Financial Loss		7,778	41,724		8,536	45,721
Property		244	1,311		283	1,436
Overall MCR Calculation						
Linear MCR	6,757			7,418		
SCR	26,766			22,839		
MCR Cap	12,045			10,277		
MCR Floor	6,692			5,710		
Combined MCR	6,757			7,418		
Absolute Floor of MCR	3,126			3,495		
Minimum Capital Requirement	**6,757**			**7,418**		

The Company calculates required capital to meet three objectives:

- To demonstrate that it has sufficient capital to provide protection to its policyholders and to meet the organisation's governing objectives;
- To provide comprehensive and detailed information and analysis for decision making; and
- To provide assurance to the Governing Body and to the PRA that it can continue to meet the requirements of the Solvency II regime.

Results confirm that the Company has sufficient capital to meet its requirements under the Solvency II basis. The Company has a substantial capital surplus against the Solvency II MCR basis, this means that the Company at 30 September 2024 is operating:

- Within the Governing Bodies stated tolerance for risk under the Solvency II regime; and
- Within the regulatory requirements under the Solvency II MCR basis.

Non-compliance with the Minimum Capital Requirement and with the Solvency Capital Requirement

The Governing Body has set its SCR Capital Risk Appetite tolerance to be 152% of the SCR with a monitoring trigger of 157%. There has been no non-compliance with the MCR or SCR.

Any Other Disclosures

Stress and scenario testing for all material risks is an essential element of the Company's Risk Management Framework. A regular programme of stress and scenario testing considers what combination of events could occur that would adversely impact the business.

The Company has considered a range of stresses and scenarios, which might impact upon our capital position over the business planning horizon and believe that the occurrence of a major underwriting loss event could cause the most significant strain. If a major underwriting loss should occur, we would consider three main ways of reinstating the Company's capital position: product re-pricing based on the increased levels of risk; adjustments to the Company's commission arrangements for new business acquisition; and capital injections from the shareholder.

Under the stressed scenarios, there are several where the Company's ability to meet the MCR is not threatened, but where the SCR might be breached, and the Company would, therefore, need to raise additional capital. Depending upon the speed of capital erosion, the Governing Body believes that four main ways of raising capital would be:

- Increases to premiums (to reflect the revised increased risks of the schemes affected).
- Changes to the commission arrangements payable for new business acquisition with a view to increasing the Company's retained premiums; and
- Capital injection by the shareholder.
- Reduction of risk through use of reinsurance arrangements.

Directors Approval Statement

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

We are satisfied that:

a) Throughout the financial year in questions, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to the Company; and

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

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Francis Martin

Director and Chief Executive Officer

Date: 18th December 2024

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Christopher Hall

Director and Chief Finance Officer

Date: 18th December 2024

Appendix 1: Quantitative Reporting Templates
("QRTs")

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	27
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	2,303
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**10,184**
Property (other than for own use)	**R0080**	5,921
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities – listed	**R0110**	
Equities – unlisted	**R0120**	
Bonds	**R0130**	**4,263**
Government Bonds	**R0140**	4,263
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	**24,391**
Loans on policies	**R0240**	270
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	24,121
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	-104
Receivables (trade, not insurance)	**R0380**	712
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	27,704
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	**65,217**

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	**9,692**
Technical provisions – non-life (excluding health)	**R0520**	**9,692**
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	9,048
Risk margin	**R0550**	644
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	2,268
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	34
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	337
Total liabilities	**R0900**	**12,332**
Excess of assets over liabilities	**R1000**	**52,886**

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Total
		Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0070	**C0080**	**C0120**	**C0200**
Premiums written					
Gross - Direct Business	**R0110**	2,275	1,137	72,407	75,819
Gross - Proportional reinsurance accepted	**R0120**				
Gross - Non-proportional reinsurance accepted	**R0130**				
Reinsurers' share	**R0140**	838	419	26,868	27,944
Net	**R0200**	**1,436**	**718**	**45,721**	**47,875**
Premiums earned					
Gross - Direct Business	**R0210**	2,269	1,135	72,230	75,633
Gross - Proportional reinsurance accepted	**R0220**				
Gross - Non-proportional reinsurance accepted	**R0230**				
Reinsurers' share	**R0240**	928	464	29,536	30,928
Net	**R0300**	**1,341**	**671**	**42,694**	**44,705**
Claims incurred					
Gross - Direct Business	**R0310**	1,810	905	57,622	60,337
Gross - Proportional reinsurance accepted	**R0320**				
Gross - Non-proportional reinsurance accepted	**R0330**				
Reinsurers' share	**R0340**	635	317	20,206	21,159
Net	**R0400**	**1,175**	**588**	**37,415**	**39,178**
Changes in other technical provisions					
Gross - Direct Business	**R0410**				
Gross - Proportional reinsurance accepted	**R0420**				
Gross - Non- proportional reinsurance accepted	**R0430**				
Reinsurers ‘share	**R0440**				
Net	**R0500**				
Expenses incurred	**R0550**	233	116	7,406	**7,755**
Other expenses	**R1200**				
Total expenses	**R1300**				**7,755**

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0080	**C0090**	**C0130**	**C0180**
Technical provisions calculated as a whole	**R0010**				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	**R0060**	68	121	1,680	1,868
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**				
Net Best Estimate of Premium Provisions	**R0150**	**68**	**121**	**1,680**	**1,868**
Claims provisions					
Gross	**R0160**	215	108	6,856	7,179
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**				
Net Best Estimate of Claims Provisions	**R0250**	215	108	6,856	7,179
Total Best estimate - gross	**R0260**	**283**	**229**	**8,536**	**9,048**
Total Best estimate - net	**R0270**	283	229	8,536	9,048
Risk margin	**R0280**	19	10	615	644
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	**R0290**				
Best estimate	**R0300**				
Risk margin	**R0310**				
Technical provisions - total					
Technical provisions - total	**R0320**	302	239	9,151	9,692
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**				
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	**302**	**239**	**9,151**	**9,692**

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Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	Accident year [AY]

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

		Development year													
Year			**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**In Current year**	**Sum of years (cumulative)**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											-	**R0100**	-	-
2015	**R0160**	16,823	7,275	248	115	6	16	37	-	-	-		**R0160**	-	24,519
2016	**R0170**	21,124	11,854	272	13	44	-	-	-	-			**R0170**	-	33,307
2017	**R0180**	24,381	10,698	83	56	37	-	-	32				**R0180**	32	35,288
2018	**R0190**	52,255	3,912	133	148	140	40	12					**R0190**	12	56,641
2019	**R0200**	65,422	4,845	101	74	230	182						**R0200**	182	70,885
2020	**R0210**	57,717	6,162	153	138	27							**R0210**	27	64,196
2021	**R0220**	65,554	8,770	104	66								**R0220**	66	74,494
2022	**R0230**	61,239	5,880	113									**R0230**	113	67,232
2023	**R0240**	56,237	4,348										**R0240**	4,348	60,585
2024	**R0250**	55,432											**R0250**	55,432	55,432
												Total	**R0260**	**60,212**	**542,550**

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year		Development year 1	2	3	4	5	6	7	8	9	10 & +
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**
Prior	**R0100**											-
2015	**R0160**	7,205	960	185	95	-	-	-	-	-	-	
2016	**R0170**	8,560	425	65	95	-	-	-	-	-		
2017	**R0180**	9,642	150	65	95	-	-	-	-			
2018	**R0190**	4,288	140	65	137	-	-	-				
2019	**R0200**	4,958	140	175	91	-	-					
2020	**R0210**	6,417	413	172	327	-						
2021	**R0220**	7,589	382	535	653							
2022	**R0230**	8,284	710	835								
2023	**R0240**	5,744	741									
2024	**R0250**	5,212										

		Year- end (discounted data)
		C0360
	R0100	-
	R0160	-
	R0170	-
	R0180	-
	R0190	-
	R0200	-
	R0210	-
	R0220	630
	R0230	806
	R0240	715
	R0250	5,029
Total	**R0260**	**7,179**

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	32,450	32,450			
Share premium account related to ordinary share capital	**R0030**					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	20,409	20,409			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**	27				27
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	52,886	52,859			27
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	52,886	52,859			27
Total available own funds to meet the MCR	**R0510**	52,859	52,859			
Total eligible own funds to meet the SCR	**R0540**	52,886	52,859			27
Total eligible own funds to meet the MCR	**R0550**	52,859	52,859			
SCR	**R0580**	22,839				
MCR	**R0600**	7,417				
Ratio of Eligible own funds to SCR	**R0620**	232%				
Ratio of Eligible own funds to MCR	**R0640**	713%				

Reconciliation reserve			
Excess of assets over liabilities	**R0700**	52,886	-
Own shares (held directly and indirectly)	**R0710**		-
Foreseeable dividends, distributions and charges	**R0720**		-
Other basic own fund items	**R0730**	32,477	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		-
Reconciliation reserve	**R0760**	20,409	-
Expected profits			-
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		-
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		-
Total Expected profits included in future premiums (EPIFP)	**R0790**		-

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	5,218	-	
Counterparty default risk	R0020	2,589	-	-
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	17,037		
Diversification	R0060	(4,363)	-	-
Intangible asset risk	R0070		-	-
Basic Solvency Capital Requirement	R0100	20,483	-	-

Calculation of Solvency Capital Requirement		
Operational risk	R0130	2,356
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	22,839
Capital add-on already set	R0210	
Solvency capital requirement	R0220	22,839
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Annex I
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
MCR_{NL} Result	**R0010**	7,418

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**		
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**		
Other motor insurance and proportional reinsurance	**R0060**		
Marine, aviation and transport insurance and proportional reinsurance	**R0070**		
Fire and other damage to property insurance and proportional reinsurance	**R0080**	283	1,436
General liability insurance and proportional reinsurance	**R0090**	229	718
Credit and suretyship insurance and proportional reinsurance	**R0100**		
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	8,536	45,721
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	7,418
SCR	R0310	22,839
MCR cap	R0320	10,277
MCR floor	R0330	5,710
Combined MCR	R0340	7,418
Absolute floor of the MCR	R0350	3,495

		C0070
Minimum Capital Requirement	R0400	7,418