Sovereign Health Care

Solvency and Financial Condition Report
For the year ending 31 December 2021

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1.COMPANY DETAILS

Company Number:	00085588
Firm Reference Number:	202818
Registered Office:	Royal Standard House 26 Manningham Lane Bradford West Yorkshire BD1 3DN
Registered Auditors:	BDO 55 Baker Street London W1U 7EU
Bankers:	Handelsbanken plc 1st Floor Centre of Excellence Hope Park Bradford BD5 8HH
Solicitors:	Gordons LLP Piccadilly House 8 Duke Street Bradford BD1 3QX
Investment Managers:	Torevell & Partners 5 Oxford Court Manchester M2 3WQ
Internal Audit:	Naylor Wintersgill Carlton House Grammar School Street Bradford BD1 4NS
Regulators:	Prudential Regulation Authority 20 Moorgate London EC2R 6DA
	Financial Conduct Authority 25 The North Colonnade London E14 5HS

2.DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulation Authority (PRA) rules and Solvency II regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Company must have in place a written policy ensuring ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report and Accounts, confirm that, to the best of their knowledge:

1. Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and
2. It is reasonable to believe that, as at the date of the publication of the SFCR, the Company continues to comply, and will continue so to comply in future.

By Order of the Board on 23rd March 2022.

Russ Piper
Chief Executive

3.ABOUT SOVEREIGN HEALTH CARE

3.1 Our Purpose

Sovereign Health Care was founded in 1873 as the Bradford and District Hospital Fund with the purpose of raising funds for local hospitals. Whilst it has evolved over the years, we remain a not for profit/not for dividend provider of health care cash plans to around 68,300 individuals. The range of health cash plans are low cost, monthly renewable policies with the purpose of financially supporting our customers when they incur everyday health care costs.

The following principles remain core to the business;

- To remain an independent company and provider of individual and company health care cash plans
- To grow our customer numbers in a profitable manner
- To be able to gift the equivalent of between 5% and 10% of annual turnover each year in charitable donations from investment returns
- To deliver value for money and useable products to its customers
- To remain a low compliance risk to our regulators

In addition to the provision of cash plans to individuals, Sovereign has signed key strategic partnerships with carefully selected third party providers of complementary products in order to expand the benefit offering to the current and future customer base.

The businesses, UK only, core operations and profitability remain firmly based in cash plans. Sovereign Health Care offer a number of products which generally fall into two types of schemes which are either funded by individuals from their own means or provided by employers.

The Health Care Cash Plan gives access to over 20 types of benefit, with cover for dental and optical treatment being the most popular. In all cases the person covered by the policy benefits is regarded as the policyholder, regardless of who pays the premium.

All our individual health cash plans are community and linear priced where we are providing the actual benefit. This means customers are not disadvantaged by age, health history, occupation or opaque underwriting methods. We encourage our customers to use their health cash plans and over the past 3 years we have paid out annually an average of in excess of £6.6m in benefits to our customers.

Policyholders use their plan by arranging and receiving specific types of everyday health care treatment, settling the bill and if covered by the cash plan submitting the receipt and claim form to us for reimbursement of a percentage of the costs incurred (product dependent 50%-100%) up to their relevant cover level limit.

3.2 Executive summary on 2021 performance

The table below summarises Sovereign Health Care's consolidated financial results for the year as reported in the Group financial statements:

	2021	2020
	£000's	£000's
Earned income		
Net Written Premiums	10,210	10,677
Net Commisions Received	87	75
Claims incurred	(6,828)	(5,571)
Operational expenses	(2,927)	(2,963)
Underwriting result	**542**	**2,218**
Investment Income - Net of fees	980	990
Interest Payable	-	-
Realised gain/(loss) on investments	4,486	257
Impairment of land and buildings	-	(80)
Unrealised gain/loss) on investments	2,881	103
Charitable donations	(448)	(591)
Surplus/(deficit) before taxation	**8,440**	**2,897**

During 2021, we continued to navigate the impact of COVID-19 however the outlook was optimistic with the sense of returning to some form of "normality" as we progressed through the year. We continued to follow government guidance to keep our people safe whilst servicing our customers.

Sovereign Health Care continues to focus in its local Bradford and West Yorkshire community, and nationally through corporate employer relationships. Our schemes are low cost, affordable and aim to offer value for money benefits to customers. The cash plans are monthly renewable contracts allowing us to modify the benefits, premiums and terms of conditions subject to us giving customers a minimum of 30 days' notice. Claims for health care treatment can be submitted up to one year after the date of treatment.

Our financial plan for 2021 was relatively conservative in light of the pandemic, however business performance overall was very positive considering the ongoing backdrop of uncertainty. Sales performed exceptionally well, exceeding target in terms of volumes and income, furthermore new business average annual premiums earned increased compared to both 2020 and 2019. Whilst sales numbers are still not at pre pandemic levels, this being reflected in the reduced earned premium, the performance from our sales team is highly commendable given the challenges. We continue to develop our consumer digital sign-up process at the same time as supporting our corporate clients, offering free resources to support employee health and wellbeing through the launch of our "Resource Hub".

Claiming behaviour and claims payments returned to near typical claiming levels, having paid £6.7m (2020: £5.5m) to our customers, including absorbing the increased treatment costs relating to PPE. The Board believes offering other benefits such as a 24-hour confidential telephone helpline, Employee Assistance

Programme (EAP) and access to a 24-hour GP service are integral to our products as the focus on accessible healthcare and mental health services becomes increasingly more important as we emerge from pandemic.

The current route to delivering a reduction in the ongoing service costs and provide a competitive advantage in the marketplace is through continued investment in our technological solutions. To date this investment has delivered a new policy administration system, new IT hardware platform, more robust disaster recovery, a new accounting platform, transition to in-house hosting of all key systems, improvements in our claims processing methodology, insurance processing platform availability and robustness improvements and delivery of a new hosted website and joining capability. As at the end of December 2021, approximately 31,000 registrations were completed for our online customer area, which allow customers to submit claims online, view their claiming history and make changes to their personal details. The IT improvement programme will continue into 2022 to further development the paperless journey to include paperless welcome packs and a corporate invoicing portal.

The investment in systems will deliver multiple benefits to the company including improvements in costs, efficiency and customer service leading to successful customer retention activity. Additionally, better use of data will allow the company to achieve targeted marketing campaigns based upon customer behaviour and preferences. These developments whilst initially viewed as a defensive measure in retaining our existing core book of business, will also deliver the ability to meet increased demands but in a cost efficient manner and without a proportional increase in operating costs. The ability to grow through a chosen strategic direction with confidence that the back office can support without significant change or enhancement, will place the company in a position of considerable strength moving forwards.

4.BUSINESS PERFORMANCE

4.1 Business – legal form

Sovereign Health Care is a not for profit health insurance company, founded in 1873. The company is limited by guarantee and has no shareholders.

The Board of Directors are deemed Members of the Company, and the ethos being, the Board Members are custodians of the Company, supervising and strengthening the performance of the business for the next generation of custodians.

No individual member is considered to hold undue influence or controlling interest. The memorandum and articles of association of the company determine the operating model of control.

4.2 Underwriting Performance

Underwriting results decreased by £1.7m as claiming behaviour normalised throughout the year, however this was expected and factored into our budget assumptions. The underwriting results of £542k represents a favourable position, achieving 362% to target.

Please see the table below for the key business performance indicators:

Key performance indicators	2021	2020
Earned income	10,297	10,752
Claims loss ratio	66%	52%
Operational expense ratio	29%	28%
Combined ratio	95%	79%

Earned income

Net earned premiums reduced by £455k as a direct result of minimal face to face sales activity, as our reduced field sales team were unable to visit worksites for most of the year. Nevertheless, with restrictions easing, face to face sales activity recommenced in the latter half of the year, albeit on a limited basis. Overall, sales activity achieved 110% to target but unfortunately did not exceed the number of customers that had lapsed, this result did not come as a surprise as sales target were lowered due to the ongoing pandemic. Like 2020, the Board also agreed to postpone consumer premium reviews for 2021.

Claims loss ratio

Claims loss ratio indicated the proportion of earned member premiums which are paid out in claims, over the 12 month reporting period. The claims paid value used does not include technical provisions. Claims paid value does include costs relating to third party services provided as an integral part of the cash plans, such as the information helpline, employee assistance programme and personal accident insurance cover. Compared to a target ratio between 65-75%, the claims loss ratio has significantly increased on prior years position to 66% but remained within the target ratio range. This is seen as positive, as customers were able to access treatment as COVID-19 restrictions eased during the year.

Operational expense ratio

Operating expense ratio is calculated by taking the net operating expenses over net earned premium, showing the proportion of premiums which are used in running the insurance business. The target ratio for the year was 32%, reporting 3% favourable to target. Whilst this is a slight increase compared to 2020, this was anticipated as operations returned to pre pandemic levels. Included in net operational expenses for 2021 was an amount of £29k relating to strategic IT developments, which was not capitalised in the balance sheet.

4.3 Investment Performance

Following an extraordinary year in 2020, and it was encouraging to see our investment portfolio produce positive returns and capital growth. Our investment portfolio, made up of collective funds, ended the year at £60,956,293 (2020: £51,573,948), up 18% from prior year, coupled with cash and cash at the bank of £17,983,852 (2020: £19,882,549) contributes to our sustained extremely strong capital position. Dividend income received of £1,255,531 (2020: £1,157,158) was lower than 2019, but represents an improvement on 2020, and continues to move in the right direction. With the investment income received, throughout 2021 we have continued to support our local community, making charitable donations of £447,972 (2020: £590,293).

The property listed on our Solvency II balance sheet, is a property owned for business use and was revalued for the year ending 31 December 2021, the valuation was carried out by Eddisons Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. The directors consider this to be the fair value of the property.

The Board are in agreement to continue investing in good quality equities through collective funds for the medium to long term, alongside a more defensive element provided by our cash and deposit holdings.

The table below sets out the investment performance from our group financial statements:

	2021	2020
	£000's	£000's
Investment Income - Net of fees	980	990
Interest Payable	-	-
Realised gain/(loss) on investments	4,486	257
Impairment of land and buildings	-	(80)
Unrealised gain/loss) on investments	2,881	103
Charitable donations	(448)	(591)
Net investment return	7,898	679

The dividend income is used to fund our charitable donations therefore is included in the above table.

5.SYTEM OF GOVERNANCE

5.1 General governance arrangements

The Board is the governing body of the Company and establishes, monitors and controls a framework of prudential controls to advance the Company in its objectives. Generally, the Board ensures that the Company acts in accordance with prudent commercial principles, high ethical standards and otherwise strives to meet stakeholder expectations through maximising long-term value. The Board has delegated authority for the day to day operational management of the Company to the Executive team.

Sovereign Health Care continues to adopt the AFM Corporate Governance Code in an appropriate manner for the size and complexity of our organisation. The Board are of the opinion, all principles set out below were met:

- **Purpose and Leadership** - An effective board promotes the purpose of an organisation, and ensured that its values, strategy and culture align with that purpose.
- **Board Composition** - Effective board composition required an effective chair and a balance of skills, background, experience and knowledge with individual directors having sufficient capacity to make valuable contribution. The size of a board should be guided by the scales and complexity of the organisation.
- **Director Responsibilities** - The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.
- **Opportunity And Risk** - A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establish oversight for the identification and mitigation of risks.
- **Remuneration** - A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.
- **Stakeholder Relations and Engage** - Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The responsibilities and functions of the Board include:

- Input into, and final approval of, the corporate strategy, including setting performance objectives and approving business plans and budgets
- Reviewing and guiding systems of risk management, internal control, ethical practice and legal compliance
- Monitoring both corporate performance and implementation of strategies and policies
- Approving major capital expenditure, leases, acquisitions, divestitures and monitoring capital management
- Ensuring suitability and integrity of both financial and all other reporting
- Ensuring suitability of policies and processes in important areas, including occupational safety and health, environment and legal compliance
- Enhancing and protecting the reputation of the Company

Matters which are specifically reserved for the Board include:

- Appointment and remuneration of the Chair
- Appointment and remuneration of Directors
- Establishment of Board subgroups and determining their membership and delegated authorities

To support Board effectiveness and efficiency, the Board has established the following subgroup:

- Finance and Investment subgroup
- Remuneration subgroup
- Audit and Governance subgroup
- Sales and Marketing subgroup
- Risk and Compliance subgroup
- Community Programme subgroup
- Systems and IT subgroup

The Terms of Reference of each subgroup and their membership are reviewed annually by the Board.

Board Remuneration

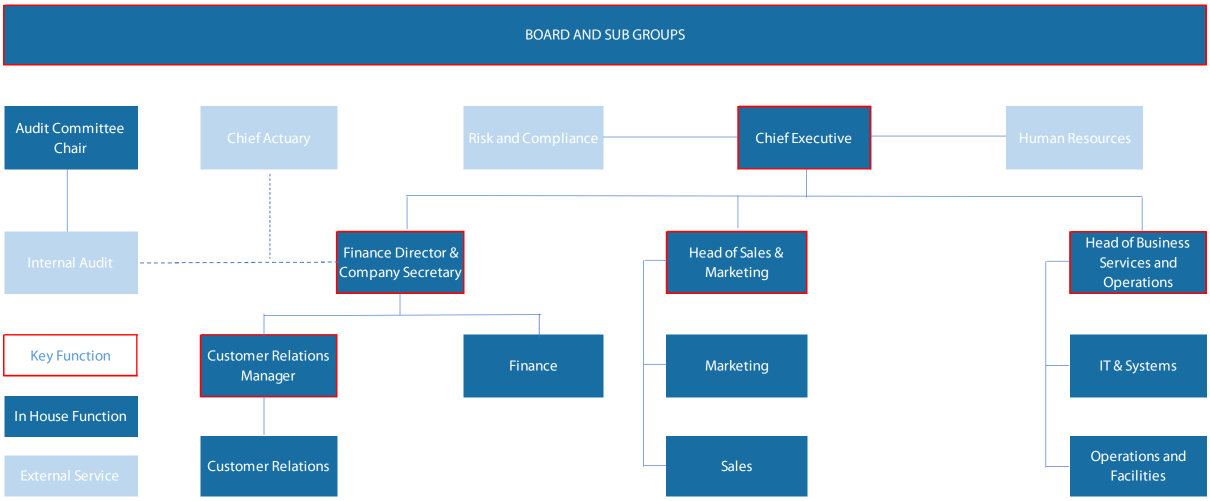
The Company operates a flat rate of remuneration for all non-executive Board members with no variable element. Executive Board members remuneration is determined by their individual contracts of employment. In response to the issuance of guidance on the relative levels of senior individuals within the Companies relative levels of fixed and/or variable remuneration the Company has in 2018 adjusted the bonus scheme and annual salaries of the appropriate employees in order that the variable element would be in line with the appropriate guidance.

The flat rate relative to non-executive directors provides simplicity and clarity on the levels of remuneration for the business. The Standard rate of remuneration is augmented for specific duties undertaken by non-executive members of the Board and the list of these additional duties eligible for remuneration may vary from time to time. A flat rate allowance for duties outside of the scope of individual roles and responsibilities has been agreed and is operated on a per day basis. Any variation would be subject to review and agreement by the Remuneration subgroup for presentation to the Board as a whole. Currently the role of Chair of the Board receives an additional remuneration allowance.

5.2 Fit and proper requirements

The 'Fit and proper' requirement is the standard required by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) when appointing controlled function holders. Sovereign applies the same requirements when appointing those who effectively run the undertaking or have other key functions. The Company is satisfied that compliance with the framework is sufficient to ensure that individuals fulfilling controlled functions meet all relevant regulatory requirements. The framework is regularly reviewed to ensure it will meet all the requirements of the Senior Managers and Certification Regime (SM&CR) and any subsequent changes in the regulatory requirements.

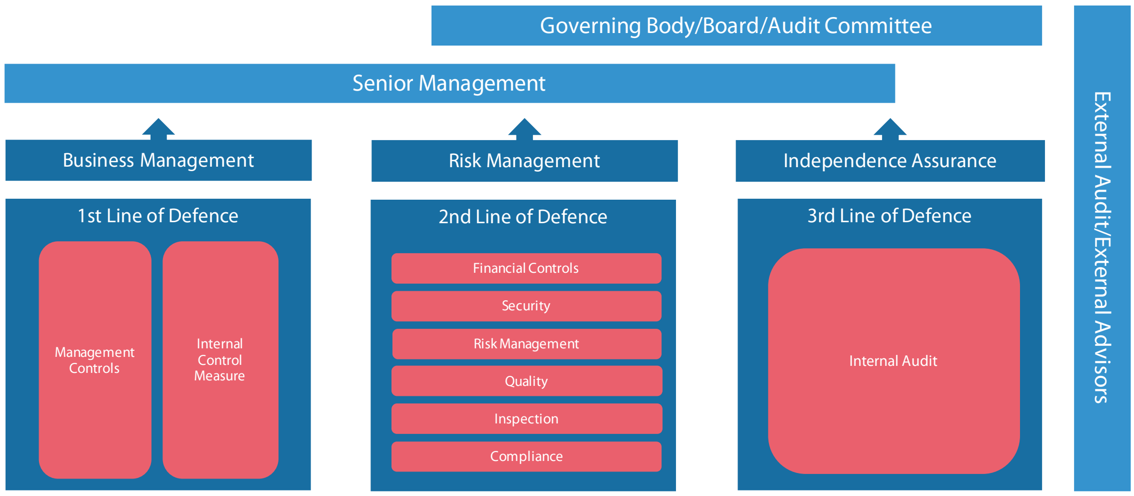
The company's key functions and internal structure are shown below:



The Compliance function adopts appropriate systems and controls in the registration of individuals across the Company ensuring that identified individuals meet the regulators' fit and proper criteria at the point of registration and subsequently, including but not limited to external verification process and internal assessment. In addition, registered and notified individuals are required to complete an annual attestation confirming that the Fit and Proper Requirements have been maintained and that they continue to adhere to the Conduct Standards.

5.3 Risk management

As illustrated in the diagram below, Sovereign utilises the three lines of defence model in the management of its risks.



The model comprises primary risk owners (first line), independent risk management and control functions (second line) and an independent internal audit and assurance group (third line).

First line: The vast majority of employees comprise the first line of defence. Examples include service manager, technology teams supporting the business platforms, client servicing teams and servicing client enquiries.

Second line: A smaller group of employees comprise the second line of defence. These employees have duties within the Risk & Control functions and provide independent oversight of the activities performed within the first line.

Third line: The reporting from this function is direct to the chairs of both the Audit and Governance and/or the Risk and Compliance subgroups.

The Risk Management function reports to the Sovereign Board via the Audit and Governance and/or the Risk and Compliance subgroups.

Subgroup responsibilities

In addition to the Audit and Governance and the Risk and Compliance subgroups, the Board of Sovereign has delegated responsibilities to the Finance and Investment subgroup, the Remuneration subgroup, the Sales and Marketing subgroup, the Community Programme subgroup and the Systems subgroup. Each of these groups have terms of reference which are risk focussed and each play a part in more formal upwards risk reporting on a quarterly basis.

The formal consideration and risk reporting of the subgroups is coordinated by the risk management function.

Roles and Responsibilities

The risk management framework is supported by the risk management function but is owned by the management of the business. In order to provide a structure for the continuous review, challenge and updating of the risk register, a number of key roles have been defined, which run through the entire organisation:

Risk owner	• agree assessment of the risk with the risk management function including gross and net scores • sign off any relevant authority levels or limits • agree all mitigating strategies identified, plus determine if new controls are required/existing ones can be modified or removed
Control owner	• operate and monitor controls identified within the risk register • report regularly to risk management function and risk owner regarding operation of controls • confirm with risk management the on-going appropriateness of control scoring • recommend to risk owner any changes in control design

All employees' job descriptions are explicit regarding risk management roles and responsibilities.

Interaction with Internal Audit

Sovereign develops an audit plan on a 3-year rolling basis. It will be derived by the Internal Auditor and the Audit and Governance subgroup with input from senior management and the Risk Management function. The audit approach is cyclical, risk based and ensures that all high-risk areas are identified and prioritised. This ensures that the entire risk and audit universes are considered over time, unless there are appropriate and agreed reasons for them not being so.

In practice this is achieved by reviewing the risk universe against the current audit plan and to highlight those areas of the risk universe that are either not covered, or where additional audit may be appropriate. This will be presented annually to the Audit and Risk Subgroup, and more frequently if required. The internal audit leads will also have a private meeting at least annual with the Chair of the Audit and Governance subgroup in order that any confidential feedback applicable to the Executive and/or Senior team can be provided formally.

As either the audit plan or risk universe is updated, the Risk Management function will be responsible for highlighting any material risks which are not covered by the current audit plan.

Risk and Capital Assessment

The risk management framework is designed to provide management with the information it requires to maximise up-side risk, whilst acknowledging downside risks, by identifying where capital should be held.

The Risk Management function will work closely with the actuarial function to ensure that assessment of risk is integral with the ORSA and that management are provided with clear information regarding the capital impact of the current risk profile. By doing so management will be able to determine where capital is being best deployed and will have a tool to support business decisions in relation to the utilisation of capital.

Business Performance

Performance review is conducted across all functions of the company including underwriting, reserving, finance, claims, operations and compliance. Performance review takes place on a continuous and regular basis and is formalised using a subgroup structure.

Performance is reviewed against business plan. As the risk framework becomes integrated within the business, some existing areas of performance review and associated management information will feed into the risk management of the business.

Management Information

Sovereign is working towards an operating environment where a regular cycle of management information is provided to the key internal stakeholders of the risk management framework, these being:

- Sovereign Board
- Risk and Compliance Subgroup
- Audit and Governance Subgroup
- Remuneration Subgroup
- Finance and Investment Subgroup
- Sales and Marketing Subgroup
- Systems Subgroup
- Risk Owners

The information will provide an overview of the following:

- Top Risks (inherent, residual, dependencies)
- Moving Risks
- Risks by Owner
- Risks by Category
- Risk Appetite Utilisation
- Capital management

In addition, regular risk reports will be developed to focus on areas of high risk v appetite and ones requiring improvement in controls. It is expected that reporting requirements will change over time.

Management Information must be appropriate, complete and accurate and comply with the relevant Solvency II data standards.

People and Reward

Sovereign has a training programme which encompasses Risk Training across all aspects of the organisation. Specific training will be provided as required to Risk Owners and Control Owners regarding individual responsibilities and to promote a general 'risk v reward' way of thinking.

Performance Appraisal objectives include specific risk management or control management objectives for the relevant personnel.

Sovereign has a remuneration policy which has been designed to assist the delivery of both its business strategy and risk management strategy. No individual is encouraged to take or is rewarded for taking excessive risk, i.e. outside of stated appetites.

Technology & Infrastructure

The risk framework relies on timely and accurate information and modelling. A strong infrastructure is required to ensure that:

- Data is accurate, accessible and timely
- Modelling is robust, reliable and timely
- Management information is well organised, relevant and appropriately distributed

Investments and the Prudent Person Principle

In reviewing investments for quality and reporting purposes the company utilises recognised ratings agencies as the source for each individual investment. Where ratings are unavailable a full charge is taken or the lowest quality of asset is assumed. Ratings for material concentration of assets or significant counterparties are taken from a number of recognised sources to ensure that the chosen partner rating is consistent and appropriate for the risk.

Own Risk and Solvency Assessment (ORSA)

The ORSA document provides a key pillar to the overall control and understanding of the business from the perspective of the Board.

The ORSA is updated on an annual basis, for approval in the first half of the year following the period into which it refers, i.e. the 31 December 2021 ORSA will be reviewed and approved by the Board prior to 31 July 2022.

The ORSA process will act as a trigger for management actions which the Board will review and authorise as required. Where risks are identified that are beyond the company's risk appetite, as detailed in the risk tolerance summary, actions should be undertaken to bring these back within the defined acceptable levels. It is recognised that additional capital will not reduce the risk, it will only provide a financial buffer while management actions are sought to deal with the risks identified. Sovereign's risk management framework continues to evolve through enhanced modelling, monitoring and feedback and provides the basis for the Boards calculation of its own capital requirements within the business.

Ongoing monitoring of the key items highlighted within the ORSA forms part of Sovereign's Board meetings. However, it should be noted that the monitoring of risk and the management of the risks is built into the operations of the Company. Any deficiencies highlighted through this continual monitoring will be brought to the attention of the Executives for action, and where required the Board will be informed and/or asked to approve any resulting action where this falls outside of the current levels of delegated authority.

5.4 Internal control

The Board view an effective system of internal control as a key mechanism by which they discharge their fiduciary responsibilities.

Sovereign believes that a sound system of internal control helps safeguard Sovereign's assets by facilitating safe, reliable and efficient operations, by assisting us to comply with applicable laws and regulations, and by helping us ensure the reliability of our internal and external reporting.

All members of Sovereign's staff have a responsibility to ensure the effective application of internal controls in their areas of responsibility and to act in a way that safeguards our assets from loss, inappropriate use and fraud.

In addition Article 46 of the Solvency II directive requires:

> "Insurance and reinsurance undertakings shall have in place an effective internal control system. This system shall at least include administrative and accounting procedures, an internal control framework, and appropriate reporting arrangements at all levels of the undertaking and a compliance function. "

The Board believes that sound internal control and corporate governance is best achieved by processes firmly embedded within Sovereign's operations. Reviewing the effectiveness of internal control is an essential part of the Board's responsibilities while management is accountable to the Board for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so.

The Board has agreed that aspects of its internal control review work shall be delegated to the Finance and Investment Subgroup, the Audit and Risk Subgroup and the Compliance and Governance Subgroup. Each subgroup shall report back to the Board who will decide on the adequacy of the subgroup's review. It is the Board's responsibility to establish the terms of reference of each subgroup.

In determining the Sovereign Policies and Procedures and thereby providing what constitutes Sovereign's system of internal control the Board considers the following factors:

- The Business Principles and related objectives
- The nature and extent of the risks facing the Company
- The extent and categories of risk which it regards as acceptable to bear
- The likelihood of the risks concerned materialising
- Sovereign's ability to reduce the incidence and impact on the business of risks that do materialise
- The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks

The Company retain the services of an internal audit function in order that an independent third party view on the operation of key controls and the oversight of key service providers is maintained with the necessary levels of rigour. The internal audit function report on a day to day basis to the Finance Director, however they provide the formal reporting through to the Chair of the Audit and Risk subgroup to ensure appropriate segregation and governance is maintained.

5.5 Internal audit

Due to the size of the business the internal audit process is outsourced to an appropriately qualified third party.

The program for internal audit to follow was proposed by Senior management with reference to the key business risks identified during the course of the ORSA process and internal risk mapping exercise. The internal audit program is then approved by the appropriate subgroup with timescales and prioritisation guidance being provided.

The internal audit plan is a rolling 3 year programme designed to cover all material risks to the business, its operations and reporting, whilst also allowing for any additional work highlighted as a result of business issues or regulatory requirements to be considered within the scope of the timetable.

In order to maintain the appropriate level of independence Internal audit reporting is undertaken with a direct line of responsibility to the Chair of the Audit subgroup. The use of third parties in undertaking the work ensures an appropriate degree of separation from the day to day activity of the senior team within the business to ensure objectivity.

5.6 Actuarial function

The actuarial function is outsourced to a third party actuarial consulting practice along with the SMF20, Chief Actuarial Function. The actuarial function will present annually to the Audit and Governance subgroup to ensure the Solvency II calculations are adequate and appropriate for Sovereign Health Care. Oversight of the requirements and deliverables is appointed to the Finance Director.

5.7 Outsourcing

Due to the size of the business a number of key functions have been outsourced in order that the business is able to benefit from appropriate current expertise without incurring the additional overhead that would be required to fulfil the function in house. All current outsourced service providers are located within the United Kingdom.

The outsourcing arrangements are subject to the outsourcing approach policy. Outsourcing is considered appropriate where the business:

- does not have the required knowledge, resources and/or experience to fulfil a specific function from its own staff
- requires additional short term resource
- deems it is cost effective to outsource a specific service
- deems it is risk effective to outsource a specific service
- deems it is a legally or regulatory required arrangement
- deems it is to achieve a tangible quality outcome with regards a specific project

The following checks are undertaken when appointing an outsourced partner;

- Financial health check
- Trade body
- References
- Appropriate fit and proper for purpose check

Outsourced partners are checked regularly, at a minimum annually, to ensure the arrangement continues to serve the best interests of the company and its customers. All key outsourced arrangements are subject to a formal contract, approved by the Board – where appropriate and signed by at least one executive director.

The Board of the company are keen to remain focused on the areas where the company has expertise and not expand beyond our knowledge or capability, as such Sovereign will continue to focus on the provision of good value, simple, easy to use cash plans within the UK market.

6.RISK PROFILE

The Board have agreed the following Risk Appetite for Sovereign Health Care:

- Operate within our area of expertise. Any diversification will only take place when we understand the risks and business models
- Growth is profitable and not loss making, although we understand by the nature of our schemes that occasionally claims may run higher than premiums on new business
- New products will be underwritten to be profitable within agreed parameters and timescales
- Quality of delivery will always have greater prominence than quantity of delivery
- Principles of insurance and correct customer morals are above the technicalities of the Terms and Conditions
- We will not carry any long term insurance risks, although we will include mediated modules within our product range
- Our investment strategy is to achieve capital growth and income over the medium to long term through our investments which are additional to our cash deposits
- Reserves will be held as a mixture of cash type deposits and investment funds as agreed by the Board of Directors

6.1 Underwriting risk

As a general insurer Sovereign Health Care writes short term monthly renewable contracts. These contracts individually and collectively present a relatively small financial risk when compared to the other key risks. However, as an insurer we do review, calculate and manage our potential insurance exposures and ensure that we hold sufficient capital in available cash in a mixture of immediately available, short term or longer term maturity deposits to ensure that sufficient cash will be available to meet the requirements of 12 months claims as they fall due.

Plans are priced on a community basis, utilising historical performance and claims data, with a number of additional assumptions built in the models. If policyholder behaviour, healthcare costs or any of the other underlying base assumptions change there is a risk that premiums will not be sufficient to meet the claims made.

The following measures are used to assess underwriting risks:

- **Claims modelling and experience** – based on experience, budgets are prepared for each product including expected claiming ratios. Product performance is monitored again this target claims ratio and deviations are investigated.
- **Market monitoring and tracking of claims trends** – cash plan claims are driven by behavioural factors. Claim trends, purchasing behaviours and other signs from the broader healthcare market are all monitored for indications that customer behaviours may deviate from the underwriting assumptions.
- **Solvency II capital requirements** – under Solvency II we are required to assess and quantify the underwriting risk exposure through a mass accident and pandemic scenario.

The principal risk faced by the company is that actual claims and benefit payments exceed the premiums received for the insurance cover. This could occur because the frequency and severity of claims are greater than anticipated. Claim events for certain benefits can be random and the actual volume of claims received and value of these claims could vary year on year.

All the Sovereign Health Care cash plan products are monthly renewable policies, required premium increase can be implemented with a short timescale, 30 days' notice, enabling the risk that premiums are insufficient to cover claims and expenses to be controlled.

Concentration risk – key customers

The Company also acknowledges the risk of reliance on a small number of large volume clients and works closely with the relevant customer group to ensure that the offering available continues to meet the requirements. In addition there is an active renewal of supply contract process which serves to highlight potential issues and ensure these are addressed in a timely and appropriate manner.

As a business, the risk created due to the success of the product is not one which we would seek to move away from or limit on a single customer basis. Mitigation is sought through increasing the depth and breadth of the customer base to ensure that a single customer or small group of customers does not represent an unduly large proportion of the forecast income generation plans.

Insurance Premium Tax

As a general insurer, the premiums we charge for our products including Insurance Premium Tax (IPT). This indirect tax is then passed on to HMRC. In 1994, the introductory standard rate of IPT was just 2.5%. But over the years IPT has increased, to 6% in 2015, then 9.5% in November 2015, and in October 2016 it rose to 10%. Now the current rate of IPT is 12%. Some of the past increases have not been passed on to the end consumer, however with the more recent increases, we had no other option but to pass this on to our customers otherwise it would have had a detrimental impact on our operating profit.

We have lobbied regulators and the government through our trade association to highlight the consequences if they continue to raise the IPT rates. This risk is also included on our risk register.

6.2 Market risk

Investment Risk

Sovereign Health Care holds investments in collective funds, as 31 December 2021 these assets are held at fair value of £61m (2020: £51.6m). These investments are traded on regulated financial markets, both in the UK and abroad. Our investments are managed by an external specialist investment manager who are listed on the Financial Services Register and authorised and regulated by the FCA. Management of the investments is undertaken utilising the advice of third party wealth management professionals on a recommendation basis. Movements in the regulated markets can drive volatility within the valuation of these assets. Under Solvency II, our investments are stressed on interest rate risk, equity risk, currency risk and concentration risk. The capital requirement relating to market risk equates to £30m (2020: £22.2m) and the Board are of the opinion we hold sufficient capital reserves to cover this risk charge as demonstrated by our Solvency II coverage ratio.

The Board recognises the significant influence of the valuation of the Company's investment portfolio on the SCR coverage levels, currently at 248% (2020: 299%). The Board will continue to review and consider the solvency position and coverage levels on a periodic basis, should the ratio drop to 200%, this would trigger the board to consider crystallisation of investment assets in order that the company maintain sufficient liquidity to meet 12 months cost of claims and operational expenses as they fall due.

With regard to the balance of the Company's investment reserves, the Board have set investment objectives that aim to ensure the long term sustainability of the business by achieving capital growth and strong income returns over the medium to long term through the careful management of our investments.

The Board recognises that the allocation of portfolio assets across broadly defined financial asset and sub-asset categories (a mixture of cash and fixed interest investments and investment funds) with varying degrees of risk and return is the most significant determinant of long-term investment returns and portfolio asset value stability. Diversification across and within asset classes is the primary means by which the Board expects the portfolio to avoid undue risk of large losses over long time periods.

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying returns earned on its investments in different asset classes. In the view of the Board, Sovereign is an investor with a long term investment horizon and can tolerate the attached short term investment risk to the portfolio.

The Board accepts the risk that actual returns may vary from objective across short periods of time. The investment manager shall act within a reasonable period of time to evaluate any variations and make recommendations to rebalance the portfolio.

On a periodic basis, independent investment management professionals are approached for current market trends, views on holdings and to act as a sense check and benchmark of the current advisers.

At the point of writing this report, the Russian invasion of Ukraine continues, which has simply shocked and stunned the whole world. Firstly, our thoughts are with the people of Ukraine and anyone who has been affected by this conflict. The invasion has had huge consequences on global markets and the economy, as the world tries to limit the damage by imposing various financial sanctions on businesses and individuals. Throughout this atrocity we have been in continuous dialogue with our Investment Advisors, to assess our direct and indirect exposure to Russian assets and pleased to note our exposure is limited and deemed immaterial. Obviously, there are wider impacts on portfolio, including the inflationary pressures with significant price rises in energy and wheat. The situation is clearly fast moving, and our Advisors remain in constant contact with all our fund managers regarding the impact of further Russian aggression and subsequent sanctions by the Western nations. The Company understands the investment market will remain volatile throughout this period; however, we believe our portfolio is well diversified and balanced, between growth and value stocks, adding a certain degree of reassurance through these turbulent times. As stated previously, our objective to invest over a medium to long term time horizon means we can tolerate these market shocks. This approach coupled with our defensive approach to holding large cash balances, will act to protect the Company's strong capital position.

Financial Risks of Climate Change

Our investment strategy is focussed on delivering medium to long term growth whilst creating sufficient dividend income to fund the community funding programme. The Board accept there is an element of financial risk relating to climate change, specifically transition risk associated with investing into collective funds. Our collective funds, valued at £61m, present the largest risk. The Board have opted for an engagement strategy with our asset managers, and our investment advisors are in continuous talks with the fund managers to discuss environmental, social and governance (ESG) consideration as well as performance.

Through the finance and investment sub-group and the Board, our investment advisors present ESG ratings for each collective fund including the following measures:

- Peer rank
- Global rank
- % of "green" revenue
- % of "brown" revenue
- Carbon intensity figure
- Carbon intensity figure (CIF) band
- Overall ESG rating

Of our current collective funds, circa 70% of the underlying stocks held in these funds have an ESG rating of A or higher. The active asset managers within our portfolio all have a preference for sustainable business models and good governance, and with the increasing focus on ESG considerations, the Directors were pleased these funds produced above average ratings as a result.

With active engagement, rather than an exclusion mandate, the focus is on evaluating and monitoring effective risk management of climate change whilst keeping ESG ratings as an indicator.

The appropriate director has been allocated the responsibility of managing the financial risks of climate change and their statement of responsibilities have been updated accordingly. These risks identified will be continually monitored across multiple sub groups including:

- Finance and Investment
- Audit and Governance
- Risk and Compliance

Having regard to the nature of our strategic plans, the Board does not consider climate change to be of significant risk in the medium term but continues to monitor and manage any risks that arise. The Group keeps a watchful eye on developments to ensure understanding of the effects of climate change are appropriately reflected in our strategic plans and ORSA.

6.3 Credit Risk

The company's exposure to credit risk is not limited to the balances identified in the liquidity risk section, but also covers the carrying value of certain other financial assets, namely contributors' premiums due but not received (included within debtors) of £457k (2020: £458k).

The Board adopts a low risk appetite by holding high levels of cash or cash equivalents in order to meet any unplanned or catastrophic risks/events. Currently the Board have agreed to hold cash balances equivalent to the greater amount of:

a) our Minimum Capital Requirement (MCR) (£7.8m) or
b) 12 months forecast claims payments (£6.6m).

Cash is held in a variety of instant access, term and notice accounts in order to achieve the correct balance of liquidity needs and desired investment returns. Cash investments are also used as a hedge against insurance/operational risk and for liquidity needs or to facilitate a planned programme of investments in either or both equity and fixed income assets.

Debt instruments held with credit institutions, including term cash deposits are managed internally. Balances are placed on deposit for periods of up to 12 months in such a manner to ensure that sufficient funds are always available to meet the short term operational expenditure, investment decisions and any other liabilities as they fall due. Total deposits and cash equivalents of £16.9m (2020: £18.8m) are held with a number of counterparties and different terms. Due to economic uncertainty, the Board felt it prudent to reduce the exposure to market volatility by holding a significant amount of cash as a defensive element.

The company is therefore exposed to risk in relation to the counterparties availability of funds to meet the terms of the deposits as they fall due. This risk is managed through the careful selection of counterparties and the use of credit rating agency view of potential partners and the operation of the counterparty risk policy within the business, limiting the exposure to any specific party and the overall risk at each level of credit rating.

Credit ratings for credit institutions who are deemed as material counterparties are outlined below:

Counterparty	Rating
Barclays Bank	A
Close Brothers	A
Aegon (Scottish Equitable)	A
Handelsbanken	AA
Yorkshire Bank	BBB

6.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company is exposed to liquidity risk in meeting operating costs as represented by the creditors other than technical provisions within the Solvency II balance sheet totalling £2m (2020: £1.5m), and in meeting policyholder claims, represented on the year-end statement of financial position by the provision for outstanding claims totalling £0.6m (2020: £0.6m). Both of these exposures are due within 12 months of the statement of financial position date, and in particular the large majority of claims represented by the technical provisions are generally settled within 3 months. The creditors other than technical provisions includes a contingent liability of £27.4k representing the net liabilities of a wholly owned subsidiary company.

The Company seeks to mitigate liquidity risk by holding cash reserves which at any one time enable financial liabilities to be met for at least a month. Details on the cash reserves have been outlines in the credit risk section.

6.5 Operational risk

Operational risk relates to the risk of loss resulting from inadequate or failing internal processes, people and systems or from external events such as natural disaster or terrorist attacks.

Operational disruptions can cause wide reaching harm to our customers and to the Company. Operational resilience remains a key focus for Sovereign Health Care, considering the backdrop of the pandemic, in addition to the regulators recent consultation papers on building operational resilience within the UK financial sector. Sovereign Health Care has completed the initial work in line with the regulatory requirements, however, the Company foresee this has an evolutionary process, a continuous cycle, always learning and developing our response to disruptions.

Operational risks are recorded on Sovereign Health Care's risk register. The material areas of risk are highlighted below:

- Systems and Infrastructure
- Cyber security
- Outsourcing arrangements
- People

Systems and Infrastructure

Significant time and expense have been incurred over the years to strengthen our core IT infrastructure. Our IT infrastructure is located across three sites, including a specialised co-located data centre and utilisation of a cloud-based service to add extra resilience. Our infrastructure is regularly reviewed and tested, including the testing of backups and recovery of data. Our computer servers that support our systems and applications are hosted at an ISO-27001 co-location datacentre, where they are protected by uninterruptable battery/generator backup power supplier, monitoring cooling and fire systems.

User access to the systems is provided by a technology called Remote Desktop Services. This allows Sovereign Health Care to control and manage our systems. The remote desktop can be accessed from the office or from home, with a secure internet connection. The system is also protected by controlling access through Multi-Factor Authentication (MFA).

Our telephony system is provided by a close service provider and allows access from any location. This allows for calls to be made and received without having the need to be in the office.

We also have a contract for workplace recovery site, should for any reason, our registered office is out of use, we can use this site to provide an office location for staff. This site is always available and is fully configured with desks and computers and a secure connection to our co-location site. Our systems are also protected by real-time threats using anti-virus software, firewall technologies and systems monitoring.

All our systems are protected by daily backups, giving the Company four copies of our production data in at last three locations. Our production servers are also replicated, using a cloud based datacentre, every 10 minutes. Maintaining cloud backups allows the Company to restore our live environment in the event of complete server or co-location site failure.

Cyber security and data security

IT failure could lead to significant issues, for example system downtime, lost productivity and data corruption, theft or loss. Cyber security continues to be a key focus for the Board and management team, commissioning a Cyber Security Audit at the end of 2021. This audit is ongoing and will look to further improve our current procedures to proactively mitigate the risk of a cyber attack.

Information Security, Data Protection and Computer Policies are all in place, frequently reviewed and training provided to all staff. The Company also holds a comprehensive cyber insurance policy.

Outsourcing arrangements

We value all our business relationship and have contracts with our key suppliers and outsourcing arrangements. Through strong and actively engaged relationships we can ensure our operational activities work efficiently and effectively, with no or little operational disruption.

People

Inevitably, as a small insurer, a degree of reliance exists on key personnel, whose departure from the Company could increase the risk of processes operating effectively. There can be key person dependency in areas where experience and/or knowledge is very difficult to replace in the short term. This means loss of key personnel is recorded on our Company risk register. This risk is mitigated by strong staff development programmes and succession planning across the whole business. Core processes are documented across all areas, so other staff members can perform the processes if necessary.

7.VALUATION FOR SOLVENCY II PURPOSES

Solvency II requires assets and liabilities to be valued on market-consistent basis, whilst Sovereign Health Care's financial statements are prepared on the basis of UK GAAP. Whilst the two reporting regimes are very similar, there are some inconsistencies, therefore certain adjustments are required to comply with the requirements of Solvency II.

The assumptions and basis of valuation of each material category of business is considered separately where they differ from the statutory reporting valuation processes. As a general principle the value of a balance sheet item should reflect the amount at which the assets and liabilities could be exchanged between knowledgeable willing parties in an arm's length transaction.

All valuations should be made on a going concern principle, rather than a "fire sale" or insolvency valuation which by the very nature of the approach would deliver higher liability and lower asset values.

The table below identifies the changes in valuation that move the Company from its reported UK GAAP Report and Accounts Retained Earning to the Solvency II Own Funds.

	2021			2020		
	£	£	£	£	£	£
UK Statutory Retained Earnings			**76,825,449**			**69,672,845**
Deferred Tax Asset	-			-		
Participations	840,138			791,193		
Transfer out of cash and cash equivalents	(7,027,749)			(7,004,785)		
Transfer of cash into deposits other than cash and cash equivalents	7,011,964			6,995,650		
Change in valuation basis of other assets	(78,112)			(132,068)		
Change in assets		746,241			649,990	
Removal to technical provisions	1,029,409			1,085,163		
Best estimate liabilities	(632,243)			(596,720)		
Risk margin	(149,705)			(156,635)		
Change in valuation basis of other liabilities	(20,556)			(19,548)		
Deferred tax liabilites	(184,898)			(182,827)		
Change in liabilities		42,007			129,432	
Net change			788,249			779,422
Solvency II Own Funds			**77,613,698**			**70,452,268**

7.1 Assets

The table below details the assets of the UK GAAP balance sheet prepared under FRS 102 and how the valuation methodology differs under the valuation basis for the preparation of the Solvency II balance sheet.

Category of Asset	SII Valuation Basis
Deferred Tax Asset	A deferred tax asset or liability arises on the temporary difference between the valuation of assets and liabilities (including technical provisions) for the statutory financial statements. The deferred tax asset reflects the associated reduction in tax liability that would arise on the results for the company should the higher Solvency II best estimate of liability (over the statutory technical provisions) ever be realised.
Intangible Assets	Write down any value to £Nil to reflect estimated fair market value
Property, Plant and Equipment	Write down any value to £Nil to reflect estimated fair market value.
Holdings in related undertakings, including participations	All participations will be held an adjusted equity valuation on a solvency II basis. No adjustments are made to arrive at the adjusted equity valuation from the UK statutory accounts valuation of participations for Sovereign Health Care as the assets and liabilities of the subsidiaries are either fair value, or deemed to be fair value and no inadmissible assets are held.
Collective investments undertakings and equities	This includes all financial investments except subsidiaries (these are brought in through participations). All investments are measured at fair value with adjustments through the profit and loss. The methodologies applied to determination of fair value holdings are: 1. Listed/quoted investments are carried at market bid value; 2. Where no quoted market price or suitable proxy is available, alternative valuation methods are used in accordance with Article 10 of the Delegated Regulation 2015/35. The vast majority of the assets held are valued using methodology 1.
Financial Receivables inc. Insurance Receivables	This covers: • Amounts owed from policyholders. • Debtors are reflected at book value which is deemed equivalent to fair value equivalent due to short duration of the assets held. The company operates a provision mechanism for debts in excess of 3 months.
Cash and cash equivalents and deposits other than cash equivalents	No change in valuation methodology. The presentation under cash and cash equivalents or deposits other than cash equivalents is determined by the ability to withdraw balances within twenty four hours without incurring a penalty (instant access) which differs from FRS102.
Any other assets, not elsewhere shown	Assets are held at fair value or equivalent due to short duration of the assets held.

The table below sets out, by material asset class, the valuation of each category under both Solvency II and UK GAAP statutory account reported balances:

	2021	2021
	Solvency II	Statutory
	£	£
Property, plant & equipment held for own use	675,000	712,922
Holdings in related undertakings, including participations	850,238	10,100
Equities - unlisted	2,519	2,519
Collective Investments Undertakings	60,956,293	60,956,293
Deposits other than cash equivalents	7,011,964	-
Insurance and intermediaries receivables	475,542	475,542
Cash and cash equivalents	9,906,653	16,934,400
Any other assets, not elsewhere shown	546,258	586,448
Total assets	**80,424,467**	**79,678,223**

7.2 Technical provisions

The technical provisions comprise two elements the best estimate of current liabilities and a Solvency II risk margin. The balances of the technical provisions under both Solvency II and UK GAAP statutory account reported balances are as follows:

	2021	2021
	Solvency II	Statutory
	£	£
Claims provision	622,710	600,659
Premium provision	9,533	428,750
Risk Margin	149,705	-
Total technical provisions	**781,948**	**1,029,409**

The liabilities valued in the technical provisions are those associated with existing contracts as at 31 December 2021. Under Solvency II, contracts must be valued if there is a legal obligation to provide cover even if the commencement date of the policy is after the valuation date.

The Solvency II technical provisions are designed to reflect the amount a third-party insurer would be paid to accept the liabilities at the valuation date. The technical provisions are calculated as the sum of the best estimate and the risk margin. The best estimate is the sum of the premium provision and claims provision. The premium provision and claims provision are calculated separately.

The premium provision is established in respect of unearned exposure (i.e. exposure after the valuation date) and the claims provision is established in respect of earned exposure (i.e. claims which have occurred prior to the valuation date). Within the premium provision, future premium income can be offset against future claim and expense outgo as the calculations are performed on a cash-flow basis. If future cash inflows are expected to be greater than future cash outflows the premium provision will be negative.

The unearned exposure used in the premium provision calculation includes those policies for which an unearned premium reserve is held as at 31 December 2021. This reserve relates to those policies which have paid their premium in advance in return for cover over a longer period than one month.

The premium provision also assumes there is, on average, one month of premium earnings outstanding at the valuation date. This is a reasonable assumption, given that most of the policies in force are monthly renewable and the company has the right to reprice and cancel the cover. This additional one month of cover and one month's additional premium has been included in the calculation to reflect the fact that the company must give the policyholder 30 days' notice of cancellation.

The expected claim cash flow used in the premium provision is calculated by applying a loss ratio to the future earnings which reflects the expected losses incurred in the month after the valuation date. Given the short timescales, it is appropriate to use a loss ratio calculated using recent company history. An allocation of expenses is applied which reflects the cost of handling the future claim payments associated with the unearned exposure at the valuation date.

The claims provision calculation uses outputs from the audited year-end Incurred But Not Reported (IBNR) process to project the expected future claim payments for claims which have occurred prior to the valuation date. The expected future claims payments are set equal to the claims provision in the financial statements as this represents the firm's best estimate of future claim cash flow. The claims provision is the sum of the expected claim payments and the associated claims handling expenses. The cash flows are not discounted currently since the average duration of the payments is less than 3 months after the valuation date.

The Risk Margin is calculated as the cost of capital the third party insurer would require taking on the liabilities and is calculated as 6% of the SCR for existing business.

Both the best estimate technical provision and risk margin contain an in built level of uncertainty within the calculation of the balance due to the estimated nature of the potential future liabilities of the business. Given the relatively small value of the best estimate technical provisions within the context of the total SCR and the volume of historical data available, the levels of uncertainty within the balance are deemed to be low.

In the calculation of the Best Estimate of the liabilities no allowance has been made for any of the transitional adjustments set out in the Delegated acts. We have made no adjustment for matching or volatility in the risk free rate or any transitional adjustments to overall technical provisions.

When viewing the difference between the UK Statutory Balance sheet value and the Solvency II technical provisions the key differences relate to:

- Replacement of unearned premium reserve with best estimate of future premium income;
- Solvency II Risk Margin; and
- Requirement to hold reserves to meet the costs of processing claims in the subsequent period

When considering the overall value of the technical provisions the business has viewed any events that may fall outside of the standard modelling of our required provisions to meet future insurance liabilities and concluded that these values are immaterial.

The Board consider the calculation of the technical provisions to be in line with the requirements of the Solvency II Regulations.

7.3 Other liabilities

The table below details other liabilities, other than technical provisions, of the UK GAAP balance sheet prepared under FRS 102 and how the valuation methodology differs under the valuation basis for the preparation of the Solvency II balance sheet.

Category of Liabilities	SII Valuation Basis
Contingent Liabilities	The balance represents the excess of liabilities over assets of a wholly owned subsidiary that has a negative net asset value.
Other Provisions	Other provisions represent amounts expected to be paid and are held at fair value.
Payables (trade)	Amounts expected to be paid (including taxation), liabilities are reflected at book value which is deemed equivalent to fair value equivalent due to short duration.
Other Liabilities	Amounts expected to be paid not shown elsewhere, liabilities are reflected at book value which is deemed equivalent to fair value equivalent due to short duration.

The table below sets out, by material liability class, the valuation of each category under both Solvency II and UK GAAP statutory account reported balances:

	2021	2021
	Solvency II	Statutory
	£	£
Contingent liabilities	20,556	-
Provisions other than technical provisions	101,869	101,869
Deferred tax liabilities	184,898	-
Insurance & intermediaries payables	36,669	36,669
Payables (trade, not insurance)	35,665	35,665
Any other liabilities, not elsewhere shown	1,649,164	1,649,164
Total other liabilities	**2,028,821**	**1,823,367**

8.CAPITAL MANAGEMENT

Capital management focuses on two main elements:

- Ensuring that the company holds sufficient capital to ensure coverage of regulatory capital requirements (Minimum Capital Requirement (MCR) and SCR) over the foreseeable planning horizon (currently a 3 yearly cycle); and
- Optimisation of the quality of capital available (as all capital currently held is historical retained earnings, other than deferred tax assets, this is the highest quality available under Solvency II)

8.1 Own funds

Sovereign Health Care has no shareholders and therefore our capital originates from retained earnings. Own Funds remain a combination the historical retained earnings. The excess of assets over liabilities on the Solvency II balance sheet forms the reconciliation reserve:

	2021	2020
	£	£
Excess of assets over liabilities	77,613,698	70,452,268
Other basic own fund items	-	-
Reconciliation reserve	77,613,698	70,452,268

Under Solvency II, own funds are classified into three tires according to their ability to absorb losses, and only a limited proportion of own funds from the lower tiers can used to cover the Solvency Capital Requirement or Minimum Capital Requirement.

All of Sovereign Health Care's capital in the Solvency II Balance sheet is classed as Tier 1, this highest quality of capital. This is eligible to cover both the SCR and MCR. As at 31 December 2021, Sovereign Health Care has no deferred tax assets, which would be classed as Teir 3 capital, the lowest quality capital.

8.2 MCR and SCR

Sovereign Health Care fully complies with the Standard Formula in the calculation of both the MCR and SCR. No material simplified methods or undertaking specific parameters have been used in the calculation of either the MCR or SCR. A detailed review of the assumptions within the model were undertaken and these were found to be appropriate for the firm. Set out below is a summary of our Retained Earnings/Own Funds, the MCR and SCR together with coverage ratios:

Own Funds/Retained Earnings	Solvency II £	UK GAAP £	Appendix Reference
At 31 December 2021	77,613,698	76,825,449	s.23.01.b
Minimum Capital Requirement	7,823,479		s.23.01.b
Solvency Capital Requirement	31,293,918		s.23.01.b/s.25.01.b
SCR coverage ratio	248%		s.23.01.b

The MCR, calculated using the standard formula, is detailed below:

Overall MCR calculation	2021 £	2020 £	Appendix Reference
Linear MCR	508,499	527,581	s.28.01.b
SCR	31,293,918	23,587,697	s.28.01.b
MCR cap	14,082,263	10,614,464	s.28.01.b
MCR floor	7,823,479	5,896,924	s.28.01.b
Combined MCR	7,823,479	5,896,924	s.28.01.b
Absolute floor of the MCR	2,112,250	2,255,200	s.28.01.b
Minimum Capital Requirement	**7,823,479**	**5,896,924**	

The SCR, calculated using the standard formula, detailed below:

	31-Dec-21			31-Dec-20
	Risk Amount	Diversif. Factor	Capital Requirements	
Risk Component				
Basic Operational Risk Charge	306,291		306,291	320,316
Interest Rate Risk	31,761	(29,441)	2,319	5,012
Equity Risk	26,509,863	(1,055,713)	25,454,150	17,449,991
Property Risk	168,750	(43,776)	124,974	122,876
Spread Risk	-	-	-	-
Currency Risk	8,632,942	(4,225,482)	4,407,459	4,602,705
Concentration Risk	24,130	(24,111)	19	58
Market Risk	35,367,446	(5,378,524)	29,988,922	22,180,642
Counterparty Risk	1,395,848	(26,302)	1,369,546	1,420,086
Health Underwriting Risk	2,704,896	(547,218)	2,157,678	2,250,673
Overall Diversification		(2,528,519)	(2,528,519)	(2,584,020)
Solvency Capital Requirement	39,774,481	(8,480,563)	31,293,918	23,587,697

Risk Sensitivity and Solvency II impact

We are strongly capitalised with a Solvency II capital surplus of £46.3m (2020: £46.9m) representing a solvency cover ratio of 248% (2020: 299%). Capital requirements have increased by £7.7m as a result of the increase in value of the investment portfolio.

	2021	2020
Own Funds	77,613,698	70,452,268
Solvency Capital Requirement (SCR)	31,293,918	23,587,697
Solvency II Capital Surplus	46,319,780	46,864,570
Solvency Capital Ratio	248%	299%

The SCR of £31.3m would change by an amount equal or opposite to 19% or less following a:

- 20% rise or fall in equities (surplus would increase by £5.6m/decrease by £5.6m respectively), or
- 100% rise in the volume of insurance underwritten (surplus would move by less than £300k)

8.3 Other disclosures

Use of Duration based Equity Risk Sub module in the calculation of the SCR

The duration based equity risk sub module has not been used in the calculation of the SCR.

Difference between Standard Formula and any Internal Model used

No internal or partial internal model has been used in the calculation of the SCR.

Non Compliance with MCR and SCR

The company has maintained Own Funds in excess of the MCR and the SCR throughout the reporting period.

9. APPENDIX – QUANTITATIVE REPORTING TEMPLATES

Sovereign Health Care

Solvency and Financial Condition Report

Disclosures

31 December

2021

(Monetary amounts in GBP thousands)

General information

Undertaking name	Sovereign Health Care
Undertaking identification code	213800PGKJQYRABOJQ62
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	675
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	68,821
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	850
R0100	*Equities*	3
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	3
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	60,956
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	7,012
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	476
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	9,907
R0420	Any other assets, not elsewhere shown	546
R0500	**Total assets**	80,424

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	782
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	782
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	632
R0590	*Risk margin*	150
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	27
R0750	Provisions other than technical provisions	102
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	184
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	37
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	36
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,649
R0900	**Total liabilities**	2,816
R1000	**Excess of assets over liabilities**	77,608

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	10,187																10,187
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net	10,187																10,187
	Premiums earned																	
R0210	Gross - Direct Business	10,210																10,210
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net	10,210																10,210
	Claims incurred																	
R0310	Gross - Direct Business	6,677																6,677
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net	6,677																6,677
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-5																-5
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	-5																-5
R0550	**Expenses incurred**	3,584																3,584
R1200	**Other expenses**																	
R1300	**Total expenses**																	3,584

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	10,187						10,187
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	10,187						10,187
	Premiums earned							
R0210	Gross - Direct Business	10,210						10,210
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	10,210						10,210
	Claims incurred							
R0310	Gross - Direct Business	6,677						6,677
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	6,677						6,677
	Changes in other technical provisions							
R0410	Gross - Direct Business	-5						-5
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	-5						-5
R0550	**Expenses incurred**	3,584						3,584
R1200	**Other expenses**							
R1300	**Total expenses**							3,584

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0																0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	10																10
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**	10																10
	Claims provisions																	
R0160	Gross	623																623
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**	623																623
R0260	**Total best estimate - gross**	632																632
R0270	**Total best estimate - net**	632																632
R0280	**Risk margin**	150																150
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	782																782
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0																0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	782																782

S.19.01.21

Non-Life insurance claims

Total Non-life business

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

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2012	6,051	690	0	0	0	0	0	0	0	0		0	6,741
R0170	2013	6,121	694	0	0	0	0	0	0	0			0	6,815
R0180	2014	6,459	661	0	0	0	0	0	0				0	7,121
R0190	2015	6,507	585	0	0	0	0	0					0	7,092
R0200	2016	6,535	704	0	0	0	0						0	7,240
R0210	2017	6,520	625	0	0	0							0	7,145
R0220	2018	6,627	641	0	0								0	7,268
R0230	2019	7,011	652	0									0	7,663
R0240	2020	4,862	508										508	5,371
R0250	2021	6,197											6,197	6,197
R0260												**Total**	6,705	68,652

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2012	0	0	0	0	0	0	0	0	0	0		0
R0170	2013	0	0	0	0	0	0	0	0	0			0
R0180	2014	0	0	0	0	0	0	0	0				0
R0190	2015	0	0	0	0	0	0	0					0
R0200	2016	0	0	0	0	0	0						0
R0210	2017	0	0	0	0	0							0
R0220	2018	0	0	0	0								0
R0230	2019	0	0	0									0
R0240	2020	0	0										0
R0250	2021	0											0
R0260												**Total**	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	77,608	77,608			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	77,608	77,608	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	77,608	77,608	0	0	0
R0510	Total available own funds to meet the MCR	77,608	77,608	0	0	
R0540	Total eligible own funds to meet the SCR	77,608	77,608	0	0	0
R0550	Total eligible own funds to meet the MCR	77,608	77,608	0	0	
R0580	**SCR**	31,294				
R0600	**MCR**	7,823				
R0620	**Ratio of Eligible own funds to SCR**	248.00%				
R0640	**Ratio of Eligible own funds to MCR**	991.99%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	77,608
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	77,608
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	190
R0790	**Total Expected profits included in future premiums (EPIFP)**	190

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	29,989		
R0020	Counterparty default risk	1,370		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	2,158		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-2,529		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	30,988		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	306
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	31,294
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	31,294
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	508

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	632	10,187
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	508
R0310	SCR	31,294
R0320	MCR cap	14,082
R0330	MCR floor	7,823
R0340	Combined MCR	7,823
R0350	Absolute floor of the MCR	2,112
R0400	**Minimum Capital Requirement**	7,823