NPA Insurance Ltd

Solvency and Financial Condition Report
For the year ending 31 December 2024

Regulatory Firm Reference Number: 202069

Company Registration Number: 64269

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Executive Summary

Purpose

NPA Insurance Ltd presents its Solvency and Financial Condition Report (SFCR) as at 31st December 2024.

The Company is governed by its Board of Directors, via various governance and control functions that it has in place to monitor and manage the business. This report describes the business and reviews the performance of the Company, its system of governance including an assessment of its risk profile, the Company's approach to capital management and its valuation for solvency purposes including its solvency capital requirement and coverage.

This SFCR has been prepared in order to assist stakeholders to understand the solvency of NPA Insurance Ltd (NPAI), following the Solvency II guidelines. The report is provided to the Prudential Regulation Authority (PRA) as part of the 31 December 2023 regulatory submission.

The contents of the report are considered to be appropriate for the nature, scale and complexity of the Company's business, and in accordance with the PRA's guidance (PS 25/18 Solvency II: External audit of the public disclosure requirement) the Company is exempt from the need to have this report externally audited.

Business and Performance Summary

NPA Insurance (NPAI) is a wholly owned subsidiary of the National Pharmacy Association Ltd (NPA) which represents the interests of community pharmacy as a trade association. NPAI provides the NPA with the means to offer its members and others indemnity insurance against claims arising from their activities as retail pharmacists, legal defence against prosecutions, representation before employment and other tribunals and legal advice. It also offers cover (varying between underwriting and broking according to product) for personal and commercial risks for vehicle, property and other risks and this is referred to as the general insurance (GI) book of business. The Company does not write any life business and the vast majority of the policies are short term, usually of one year duration. Peach is a relatively new trading style offering underwriting capacity to brokers, schemes and MGAs for business insurance coverage.

Refer to Section A below for further details relating to the business and performance during the reporting period.

System of Governance

NPAI recognises the importance of strong corporate governance and has established an appropriately designed governance framework, system of control and committee structure.

The Company's governance and oversight is administered through a Board of Directors together with further oversight provided by the Audit, Risk and Remuneration Committees. The majority of the Directors are non-executives with complementary backgrounds and skills, which helps to bring a broad and deep understanding of the needs and expectations of current and potential policyholders. The Board is composed of three executive directors who have responsibility for the day-to-day management of the Company, two non-executives appointed by the shareholder and four independent non-executives who hold the chair function for the Board, Audit and Risk Committees. The Company is compliant with the Senior Managers Certification Regime (SMCR) and the Insurance Distribution Directive. Further information on the system of governance is detailed in Section B.

Risk profile summary

The key risks faced by the Company are influenced by the nature and scale of the business currently in-force, the assets held to back the business and the Company's investment policy.

The risks to the Company will differ over time as the current strategy evolves and the external environment in which the business operates changes.

The risk assessment calculates the Solvency Capital Requirement (SCR) using the Standard Formula, and the risk profile as at 31 December 2024, is as follows:

Standard Formula Risk

	2024	**2023**
	%	**%**
Non-life risk	74.67	75.71
Market risk	23.29	13.83
Operational risk	8.46	9.76
Counterparty risk	13.88	17.02
Diversification	(20.30)	(16.32)
Total	**100.00**	**100.00**

See Section E.2 for more information.

Valuation for solvency purposes summary

The Company's solvency valuation is based on UK GAAP accounting standards and uses Solvency II guidance and principles to translate the UK GAAP balance sheet into a Solvency II own funds assessment. The main translation difference is the recalculation of the technical provisions using a best estimate approach as defined by the standard formula basis that has been adopted.

Balance sheet for the Company for the year ended 31 December 2024:

	Statutory Accounts (£m)	Solvency II values (£m)
Total assets	59.7	56.0
Total liabilities, including technical provisions	42.3	35.7
Shareholders' funds/own funds	17.3	20.3

Capital management summary and Solvency Capital Ratio

The Company has a robust capital management process. The Company regularly calculates its solvency ratio, defined here as the ratio of available capital/own funds to the regulatory capital requirement.

As at 31 December 2024 the Company had own funds of £20.3m compared to an SCR of £9.7m. This translates to a solvency ratio of 2.09. This calculation is still subject to supervisory assessment.

The Company's own funds include retained profit which has arisen from past underwriting and investment surpluses. As such all capital is Tier 1 and there are no restrictions on the availability of the Company's own funds to support the Minimum Capital Requirement and SCR.

The Company remains adequately funded, with resources in excess of the Solvency Capital Requirements and the Minimum Capital Requirement. Further details of the Company's funding position are shown in the 'Capital Management' section.

Directors’ Statement in respect of the Solvency Financial Condition Report

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

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

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

....

Director

25th March 2025

....

Date

A. Business and Performance

A.1. Business and external environment

NPAI is a private limited United Kingdom insurance company incorporated in 1899. It is authorised and regulated by the Prudential Regulatory authority (PRA) and regulated by the Financial Conduct Authority (FCA). The Company registration number is 64269. The immediate and ultimate parent company is the National Pharmacy Association Ltd (NPA) which is a UK registered company limited by guarantee. The NPA is a trade association representing the interests of community pharmacy. NPAI has no active subsidiaries.

Contact details for the PRA:
Bank of England
20 Moorgate
London
EC2R 6DA

Contact details for the FCA:
12 Endeavour Square
London
E20 1JN

The registered office of the Company is:
Mallinson House
40-42 St Peter's St
St Albans, Herts.
AL1 3NP

The statutory auditor for the Company is:
PKF Littlejohn LLP
Chartered Accountants and Statutory Auditors
15 Westferry Circus
London
E14 4HD

The Company, as a Category 4 firm, has no named supervisor and is managed through the smaller insurer regime by the PRA.

The Company is owned 100% by National Pharmacy Association Ltd (NPA). NPA is a not-for-profit organisation representing the interests of community pharmacy.

The Company continues to provide professional indemnity and legal defence cover to the members and customers of the NPA as well as to locums, primary care and hospital pharmacists, pharmacy technicians and pharmacy students. This book of business is referred to as 'indemnity' which the Company writes on its own account. The Company has also been underwriting commercial property, liability and personal household risks, referred to as the "general insurance" book of business, although household policies will move to a broker model from 1 January 2025. In addition, the Company also places commercial and personal motor risks in the wider market place in return for commission. NPAI has a trading brand, Peach, bringing a fresh new brand of insurance via broker schemes and MGA distribution.

The Company's performance was not immediately affected by Covid-19, but we did see an increase of claims cost in 2023, with significant cost inflation and a run of particularly large losses in excess of £100,000. 2024 by comparison has been a more stable period from a claims perspective across pharmacy indemnity and general insurance products. Rating activity is likely to be less in 2025 as a result, alongside reduced inflation. In the market, we have seen the impact of increased claims and claim reserves to lead to hardening market conditions, not just in pure rating terms but also the withdrawal of capacity in some lines and markets. With an agile approach and a strategic desire for growth, we expect the Company to continue to capitalise on the market condition in the niche sector. The investment strategy is reviewed periodically via an Investment Advisory Group with support from the new investment portfolio manager London & Capital (L&C). The investment manager changed to L&C in October 2024 from the incumbent Schroders. After sustained decreases in the investment portfolio value across 2022 and H1 2023, the Company decided to change strategy moving to a more risk averse position and maximise returns associated with a high-interest rate landscape.

2024 also saw a change in the way that NPAI remunerates its parent company National Pharmacy Association Ltd (NPA). Commissions to NPA were reduced to £600,000 (2023: £1,200,000) with an anticipated move to a dividend model of remuneration.

An error was identified in relation to how the Company accounts for free renewals. This has had an impact of restating the 2023 result by increasing reserves net assets by £1.8mand this is explained further in Section D3.

During the year the Company employed the services of actuarial consultants to support us with insurance reserve provisioning.

As far as the Indemnity business is concerned, we provide a high quality, market- appropriate indemnity and legal advice insurance for policyholders. Our proactive approach to risk management and engagement with policyholders continued in 2024 as we were able to guide policyholders through a continually evolving compulsion on pharmacy to widen its sphere of activities within the UK healthcare provision. We were also delighted to receive external validation of the work we do when we won the award for Specialist Coverage at the prestigious National Insurance Awards in March 2025.

Our in-house general insurance claims service provides similar access to expertise and focus on policyholder needs as we assisted policyholders in a variety of scenarios that allowed us to go above and beyond the usual insurance company provision.

Since the launch of Peach in 2020, we have entered into a number of strategic broker alliances and initiatives to grow the business outside of the Company's core market. This is now a material part of the business commercially with profitable trading results in 2024 with economies of scale following a period of change and investment for growth.

The NPAI Board reviews the Company's capital position on a regular basis and determines the appropriate capital to be maintained by the Company.

The Company's year runs to 31 December and it reports its results in GBP (pounds sterling).

Climate change risk

Climate change is a global challenge; one that presents material long-term risks to the viability of businesses, communities, and important habitats. The Prudential Regulation Authority has taken steps to ensure the importance of this systemic threat is formally recognised by regulated firms and to ensure they begin the process of planning for and managing its impact. The Board in 2024 also developed a report on climate risk summarising their approach to climate related challenges and opportunities.

Climate change may impact the business in the following areas:

Transition risk
The exposure of the Company's assets to climate change risks arises from the UK and global economies transition to low carbon economies and from the risk environmental changes will potentially bring. This is known as transition risk.

The Company's asset manager applies a combination of qualitative and quantitative measures to manage and monitor environmental, social and governance (ESG) risks in the investments portfolio. They use external ESG scoring and have a proprietary ESG scoring methodology to measure ESG risks. All assets managed by the asset manager are incorporated into their ESG screening process to ensure that their security choices and the valuation of these securities reflect risks related to ESG.

Physical risk
Physical risk arises from weather and climate-related events, for example rising sea levels due to melting ice caps.

Climate change may impact general insurance claims as a result of environmental changes e.g. increased flood risk. The Company has purchased peril data for flood and subsidence. However, that is based on changes in existing patterns being projected forward which may not reflect actual climate change. We do not purchase storm data relying instead on models used by our reinsurers to inform our reinsurance purchase which we use to mitigate capital impacts from weather events and is by necessity taking a perspective over a number of years. The Company also has reinsurance arrangements for large excess of loss and large aggregate claims. A sustained increase in claims may also lead to an increase in the pricing of policies.

Operational risk
This is the risk of the Company's office and operational framework being adversely affected by the changing climate such as flooding and the loss of power. Disaster recovery processes are in place and fully documented to ensure the business can operate in the event of service disruption.

Management is not aware of material uncertainties linked to climate related issues that would cast doubt about the Company's ability to continue as a going concern. Management is also not aware of any impact of climate related issues on the measurement bases used in preparing the financial statements, the accounting policies used, the judgements made by management in applying the accounting policies and the key assumptions and sources of estimation uncertainty that have a material impact of the valuation of assets and liabilities. Management are not aware of any climate related risks that may require the recognition of additional provisions and contingent liabilities.

The Company incorporates climate change risks into its risk management processes and expect the identification and management of this to develop further over the next few years.

A.2.Performance Summary

The company produces its financial statements in accordance with UK GAAP FRS 102.

Summary profit and loss for the year ended 31 December 2024 was as follows:

	2024 £'000	2023 £'000
Earned premiums, net of insurance	14,101	11,595
Other technical income	230	139
Change in the provision for free renewals	(296)	1,711
Claims net of reinsurance	(5,986)	(6,713)
Net operating expenses	(7,076)	(7,335)
Surplus before investment income	973	(603)
Net investment income	1,357	540
Profit before tax	2,330	(63)
Tax	77	95
Profit after tax	2,407	32

As at 31 December 2024 the net assets of the Company were £17,343k (2023: £8,936k).

The Company has made a profit on ordinary activities before taxation of £2,398,036 (2023: £31,638). The profit was driven by several factors. Firstly in 2024 the business saw claims drop back to more normal levels following a surge in post-Covid claims in 2023. Investment income has improved in line with a change in investment strategy. In addition the business has changed how it remunerates its parent by reducing commission which has contributed to profitability. Finally there has been a prior year adjustment in relation to the free renewal provision which has improved net assets as mentioned above. There has also been growth in new business in the year as Peach continues to deliver growth opportunities and derive value to the group.

NPAI has been a successful provider of insurance products and has successfully operated a traditional insurance model which has focused on the delivery of fair outcomes and a strong customer centric culture. NPAI is a long-established market player resulting in brand loyalty and good customer outcomes.

The Company is pursuing a strategy to maintain and improve its medium and long term prosperity. This is in response to challenges of an ageing customer base, consolidation of pharmacy businesses, new clinical activities, competitive pressures and the need to continue to support the NPA.

NPAI is continuing to trade on a direct basis (via the NPA as broker in the case of the indemnity product) in the pharmacy segment whilst moving into other related niche segments of commercial related Insurance. These products are being distributed via intermediaries e.g. Brokers, Managing General Agents etc. The brand Peach is being used to establish clear differentiation between business developed via intermediaries, versus business we will continue to write direct under the NPAI banner.

Professional Indemnity Insurance

In October 2023 new fixed costs rules came into place for most non-clinical negligence claims, including public liability claims. In January 2024 new solicitor's guideline hourly rates were introduced, effectively increasing solicitor's profit costs on clinical negligence claims by circa 7% (plus VAT). Changes to guidelines for general damages were published in April/May 2024 effectively meaning payments of compensation have increased by circa 22-25% across the four UK countries. These changes/risks have been factored into NPAI's reserving philosophy.

NPAI's claims numbers in 2024 have been similar to 2023. Despite general increases in claims costs as set out in the above paragraph, NPAI's claims costs have been lower in 2024 than 2023. This is a result of 2023 being a 'catch-up' year following Covid-19, resulting in several large reserve movements on existing claims, and perhaps fewer solicitors now taking on new claims, leaving patients to claim for themselves in light of proposed fixed-costs rules on clinical negligence claims in England and Wales. These new rules were initially due to come into force in April 2024 but were then pushed back to October 2024. However, it appears the implementation of these rules has now been pushed back even further and it is uncertain if they will even be introduced under the new Labour government. This could increase the claims expenditure for NPAI in 2025, as could the rapidly changing pharmacy sector and continued move towards more clinical services.

Claims data and sector information, including new services/risks within pharmacy, is being fed back to the underwriting and management teams so scope of cover and premiums can be adjusted accordingly. Premiums are also being adjusted in line with inflation.

In general terms NPAI has sought to mitigate risk by establishing a reinsurance programme that provides for excess of loss cover and aggregate cover per insured year on the professional indemnity book of business.

General Insurance and Peach

NPAI started to underwrite property-based policies from 1st January 2020, renewing business previously underwritten by Zurich Insurance. In 2024 the Board agreed to move to a broker model for household policies which commenced 1 January 2025. This will see the household policies currently underwritten by NPAI move to a panel model delivered by PIB Insurance Brokers in return for a commission.

GI claims frequency and cause remain at anticipated levels for the pharmacy sector. Total costs continue to be affected by the prevailing economic conditions (inflation) and some pressures on the supply of goods and materials given worldwide events, including the war in Ukraine.

During 2024, the frequency and cause of claims has not altered significantly compared to prior years. We have received several claims with high values. Several large claims have been received (currently three cases have an incurred value exceeding £100k).

Beyond Community Pharmacy we continue to expand into other markets via the Peach brand, new scheme business is continuing to develop. GI claims arising from these schemes are managed according to the same principles/philosophies applied to community pharmacy.

File reserves are continually monitored and updated to ensure that our Underwriting and Pricing team can apply appropriate rates to new business and renewals.

The most notable Peach arrangement continues to be XS Assure which is an MGA providing excess of loss cover. It is a professional indemnity product which continues to generate significant gross premium income, albeit this reduced in 2024 due to substantial rate softening in the professional indemnity market. The Company was able to mitigate this fall in gross premium by restructuring its reinsurance arrangements to retain a greater share of premium, thereby delivering significant growth in net premiums written. One claim was settled in 2024 with substantial recovery from reinsurers which significantly reduced our net cost.

A.3.Performance from underwriting activities

TECHNICAL ACCOUNT – GENERAL BUSINESS

	2024	2023
	£	£
Earned premiums, net of reinsurance		
Gross premiums written	23,713,696	24,278,383
Outward reinsurance premiums	(8,837,786)	(11,687,573)
Net premiums written	14,875,910	12,590,810
Change in the gross provision for unearned premiums	100,846	(1,538,635)
Change in the provision for unearned premiums, reinsurers' share	(875,714)	542,742
Earned premiums, net of reinsurance	14,101,042	11,594,917
Allocated investment return transferred		
from the non-technical account	752,144	303,627
Other technical income	229,636	138,683
Change in the provision for free renewals	(296,365)	1,710,620
TOTAL TECHNICAL INCOME	14,786,457	13,747,847
Claims incurred, net of reinsurance		
Claims paid		
– gross amount	7,324,657	5,002,760
– reinsurers' share	(464,065)	(214,338)
	6,860,592	4,788,422
Change in the provision for claims		
– gross amount	1,448,270	4,572,945
– reinsurers' share	(2,323,078)	(2,648,812)
	(874,808)	1,924,133
Claims incurred, net of reinsurance	5,985,784	6,712,555
Net operating expenses	7,075,960	7,334,999
TOTAL TECHNICAL CHARGES	13,061,744	14,047,554
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS	1,724,713	(299,707)

Gross written premium from the general insurance and indemnity businesses was £23.7m (2023: £24.3m). This turnover is derived from within the United Kingdom. However net earned premiums increased from £11.6m to £14.1m.

The split of gross indemnity premiums written by class of business is as follows:

	2024	2023
	£	£
Property Owners	1,304,104	1,119,614
Commercial Combined	625,092	576,337
Pharmacover	3,133,544	2,799,675
Shops & Salons	36,929	28,731
Personal Household	526,370	626,012
Peach	10,534,938	11,805,774
Third party liability	5,880,998	5,818,571
Legal expenses	1,671,721	1,503,669
	23,713,696	24,278,383

Net claims costs were £6.0m compared to £6.7m in 2023.

The split of net claims costs by class of business is as follows:

	2024	2023
	£	£
Property Owners	726,202	196,713
Commercial Combined	97,270	(126,727)
Pharmacover	1,426,484	1,887,375
Shops & Salons	38	9,844
Personal Household	134,197	742,238
Peach	856,193	822,739
Third party liability	1,923,811	2,326,641
Legal expenses	335,090	322,672
Claims handling costs	486,499	531,062
	5,985,784	6,712,557

The Company purchases reinsurance to mitigate the impact of large value claims and against the impact of a large number of low value claims.

Outward reinsurance premiums decreased from £11.7m to £8.8m the majority of which related to the XSA quota share agreement.

A.4.Performance from Investments

The Company considers its investments to be its long-term asset which supports the Company’s retained surplus and the technical reserves (on a UK GAAP basis). During the year the Company changed its investment strategy to purchase short dated high grade bonds to reduce volatility of returns in a decreasing interest rate landscape by holding the bonds to maturity.

The following statement summarises the investment performance and investments held by the Company for the year ended 31 December 2023 and 2024.

	2024	2023
	£	£
Investment income		
Income from listed investments at fair value through profit and loss	52,154	1,121
Income from other investments	206,204	122,275
Net gains on the realisation of investments	1,033,865	-
Total	1,292,223	123,396
Investment expenses and charges		
Investment management expenses, including interest	(28,750)	(4,047)
Net losses on the realisation of investments	-	(212,027)
	(28,750)	(216,074)
-	-	-
Net unrealised gains on investments	93,044	632,708
Net foreign exchange gains	507	-
Total investment income	1,357,024	540,030

The Company’s investments have performed well in the year taking advantage of the relatively high interest rates in the year by investing in a money market fund and short dated bonds.

	Current value		Historical Cost	
	2024	2023	2024	2023
	£	£	£	£
Shares and other variable yield securities and collective investment vehicles	-	-	-	-
Debt securities and other fixed-income securities	25,885,576	24,802,880	25,792,531	24,164,170
	25,885,576	24,802,880	25,792,531	24,164,170

All of the above investments were listed on the UK Stock Exchange.

Investment income comprises interest receivable and dividends received, together with realised investment gains and losses, net of investment expenses, charges and interest. Realised gains and losses are calculated as the difference between net sale proceeds and the previous valuation. Unrealised gains represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date. Also included in total investment return are exchange rate gains and losses. No gains or losses have been published directly in shareholders’ funds.

As at 31 December 2024 the Company had investments of £25.9m and cash balances of £7.4m.

Income from listed investments arose from fixed income instruments held via the Company's asset manager.

At the end of December 2024, the total value of NPAI's investments was £25.9 compared to a value of £24.8m at the start of the year. The fund was initially in a short dated money market fund to take advantage of the relatively high interest rates. Following a decision to change the fund manger the Company decided to invest in highly rated short dated bonds to maturity to secure returns in a falling interest rate landscape. The Company will work with the fund manager to review the strategic asset allocation to maintain stable returns as far as possible as interest rates continue to fall.

The Company does not have direct holdings of securitised investments.

A.5.Performance of other activities

The Company had no other material income or expenses in the year reporting period or the previous reporting period other than that attributable to underwriting and investments.

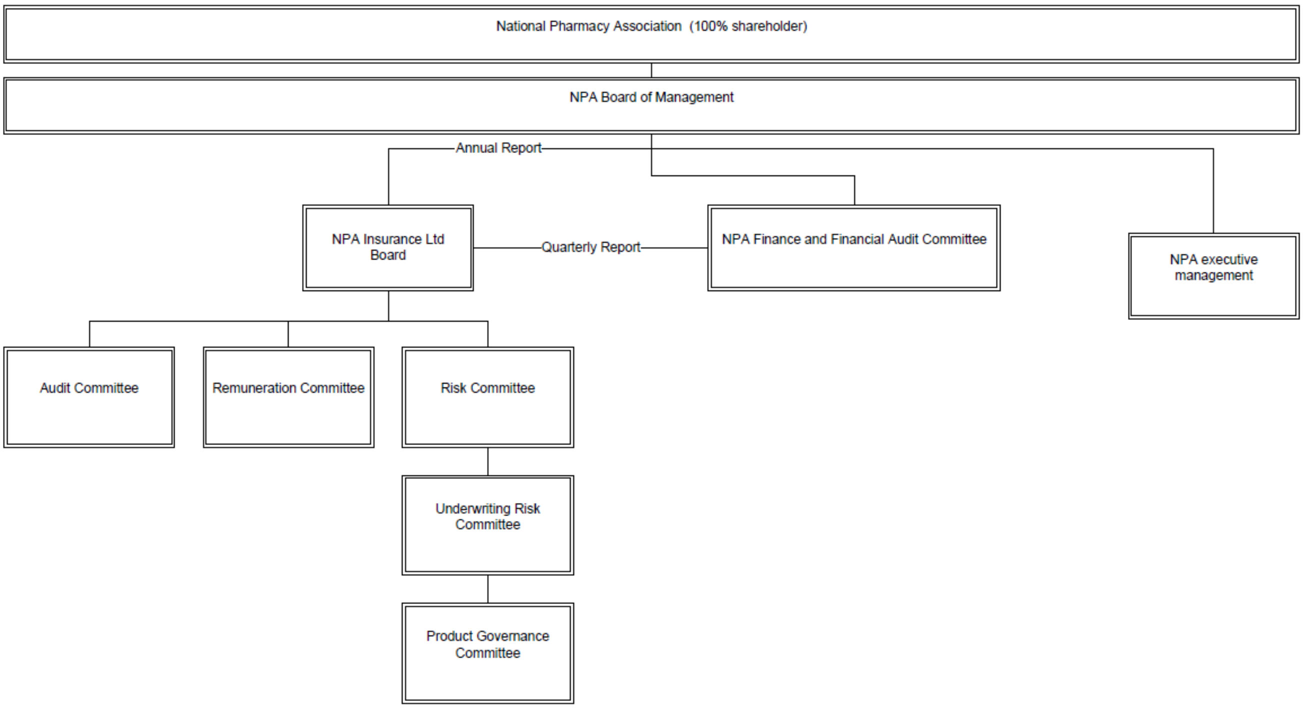
A.6.Any other information

There are no other material matters in respect to the business or performance of the Company over the reporting period.

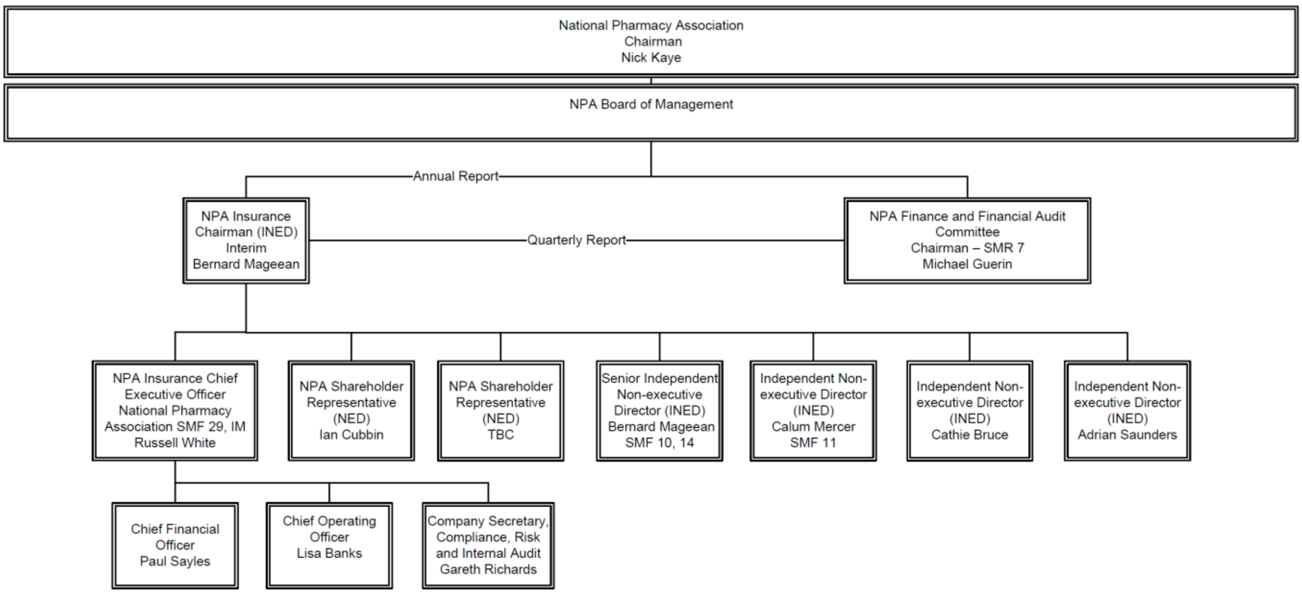
B. System of Governance

The Company has a system of governance together with a governance structure in place as follows:

Governance map
NPA Insurance (202069) and National Pharmacy Association (314360)



Governance map
NPA Insurance (202069) and National Pharmacy Association (314360)



The system of governance has been designed around a risk management framework together with its related controls and processes, and is strengthened by outsourced internal auditors and actuarial service providers. The Directors of NPAI consider the system of governance to be adequate and proportionate to the nature, scale and complexity of the risks inherent in its business.

B.1.General Governance Arrangements

The Company's administration, management or supervisory body is a Board of Directors and various committees which assist it in effectively discharging its governance responsibilities. Reporting into the main Board are committees for Audit, Risk and Remuneration. Reporting into the Risk Committee is the Underwriting Risk Committee and the Product Governance Committee, which provides assurance to the Risk Committee that systems of control of the company are appropriate in respect of the business it transacts, the markets and the regulatory regime in which it operates. In particular the Committee oversees product and pricing policies within the risk appetite. The Product Risk Committee overseas the Product Governance Committee which ensures that policy holders are treated fairly through the effective performance and suitability of the products we sell.

The Board's role is to provide oversight and leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board believes that a strong system of governance is essential to help the business operate smoothly and to aid effective decision making and support the achievement of the Company's objectives. The Board is responsible for promoting the long-term success of the Company and for setting the strategic aims, monitoring management's performance against those aims, setting the Company's risk appetite and ensuring that the Company is adequately resourced and that effective controls are in place.

There are intercompany agreements between NPAI and NPA which sets out the responsibilities of both parties and matters reserved. The NPAI Board reports twice yearly to the NPA BoM and make periodic financial performance reporting to the NPA Finance and Financial Audit Committee ('F&FA') of the NPA whose Chairman is the Treasurer of the NPA who has group manager SMF 7 responsibility. The F&FA Committee consists of five Directors of the NPA Board of Management. The NPAI Board's policy is to appoint and retain non-executive directors, who can apply their wider business knowledge and experiences to their oversight of the Company, and to review and refresh regularly the skills of the Board. The Board monitors the performance of the Company and compliance with the governance framework through reports to the Board and through regular contact with senior members of the organisation. The Board is responsible for maintaining a sound system of internal control to safeguard the Company's assets.

The Board is committed to training and development through various programmes. The Board has established a framework for risk management and internal control and reserves to itself the setting of risk appetite. The risk appetite statement describes the risks that the Company is willing to tolerate. The Company is prudent with respect to underwriting risk, and this is reflected in the way it conducts its insurance business and designs its reinsurance programme. The Company has a low tolerance to market and equity risk which is zero at present. It manages its exposure with the support of an asset manager and closely monitors market conditions.

The monitoring of the establishment and operation of prudent and effective controls is delegated to the Audit and Risk Committees which report to the Board.

The Board comprises an independent Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, four independent non-executive directors and two non-executive directors who sit on the Board of the NPA and are appointed by an election by their peers. All appointments are subject to regulatory approval. There is a robust system for corporate governance with a clear division of responsibilities. The Chairman is responsible for the leadership and management of the Board, overseeing the induction, evaluation and ongoing development of the directors, ensuring that the Group meets its overall governance standards and maintains an open and cooperative relationship between the Company and the NPA. The Chief Executive Officer is responsible for developing the Company's overall strategy, leadership of the senior management team and effective oversight of the day-to-day operations of the Company.

The following were members of the Board as at 31 December 2024:

Bernard Mageean (Independent Non-executive Director, Interim Chairman)
Calum Mercer (Independent Non-executive Director)
Cathie Bruce (Independent Non-executive Director)
Adrian Saunders (Independent Non-executive Director)
Ian Cubbin (Non-executive Director)
Russell White (Chief Executive Officer)
Lisa Banks (Chief Operating Officer)
Paul Sayles (Chief Financial Officer)

The term of the independent non-executive directors is three years and that of the non-executive directors is four years. The executive (Chief Executive Officer, Chief Operating Officer and Chief Financial Officer) are permanent roles until he/she leaves the post.

There is a formal induction process for new directors. The needs of a new director joining the Board are assessed and appropriate training arranged. Existing directors are provided with the opportunity to attend training sessions.

The Board meet on average six times a year and operates within established terms of reference. It is supplied with appropriate and timely information to enable it to review business strategy, trading performance, business risks and opportunities. Minutes document the discussions held in meetings and actions taken by members.

The Board has appointed and authorised the Audit and Risk Committees to manage aspects of the Company's affairs including financial reporting, internal control and risk management. The committees monitor the scope, results and cost effectiveness of the internal and external audit functions, the independence and objectivity of the external auditors, and the nature and extent of the non-audit work undertaken by the external auditors together with the level of the related fees. In addition, the committees oversee the risk management framework and advises the Board on how to best manage the Company's risk profile. The Audit and Risk Committees, for reasons of sound governance, are chaired by a suitably qualified NEDs, currently Calum Mercer and Bernard Mageean respectively.

The responsibilities of the Board and the Audit and Risk Committees include the following:

- Compliance Function;
- Internal Audit Function; and
- Risk Management Function

There were no other material changes in the system of governance over the reporting period.

B.2.Remuneration policy

The objective of the remuneration policy is to attract, motivate and retain people with the right experience to manage and lead the business.

An executive director's base salary provides the core reward for the role and is set at a level designed to recruit, retain and motivate the skilled individual to deliver the Company strategy. The performance related bonus for the executive is determined by the NPAI board and recommended to the NPA for approval. The Remuneration Committee is chaired by Bernard Mageean. No Director participates in any part of the meeting covering their remuneration. The Chief Executive Officer, Chief Operating Officer and Chief Financial Officer are also a members of the NPA's defined contribution pension scheme. The Remuneration Committee operates as a delegated sub-committee of the NPAI Board.

The chairman and non-executive directors receive a set fee without bonus and do not have any pension benefits. The Company does not operate a performance related remuneration scheme for any of its non-executive directors. It therefore does not encourage excessive risk taking and its policies are consistent with sound and effective risk management. The remuneration is designed to recognise the responsibilities and time commitment of the non-executive directors to attract individuals with necessary skills and experience to contribute to the future growth of NPAI.

For employees the Company aims to ensure that total remuneration levels are appropriate and incentivises behaviours that are aligned with the long-term sustainability of the Company.

NPA operates an auto-enrolment compliant defined contribution pension scheme for employees of the Company. The Company's remuneration does not offer any entitlement to shares.

B.3.Fit and Proper Requirements

The Company's Fit and Proper policy provides a framework ensuring that individuals running the business or fulfilling key functions have the necessary skills, appropriate knowledge and experience and are of good repute and integrity.

It is the Company's policy to recruit, develop and maintain competent and appropriately skilled persons to perform key functions commensurate with regulatory requirements and protection of NPAI's good reputation. This is achieved through appropriate vetting at recruitment, clear statements of responsibilities and a continued reassessment of competency fitness and propriety that is embedded in the individual's performance management process.

The 'Fit and Proper' requirement is the standard required by the FCA and PRA when appointing controlled function holders and the Company applies the same requirements when appointing those who effectively run the Company or have other key functions. The Company recognises the value of the fit and proper requirements in that a company run in a fit and proper manner will benefit from the knowledge and experience brought to the Company and is more likely to be successful. The Company is satisfied that compliance with this is sufficient to ensure that individuals fulfilling controlled functions meet all regulatory requirements.

A fit and proper person is anyone occupying a key position within the Company such that they may influence policy and strategic decisions. Such persons must be demonstrably honest with integrity and a good reputation. In addition, they must demonstrate compliance, capability and financial soundness and meet the FIT section of the PRA Handbook. There is no definitive definition for 'fit and proper', however the term includes amongst other considerations the concepts of honesty, solvency and competence. The Company has embedded the PRA's Senior Managers and Certification Regime which has replaced the Senior Insurance Managers Regime.

The compliance function adopts appropriate systems and controls in the registration of individuals across the Company ensuring that identified individuals meet the regulator's fit and proper criteria at the point of registration but not limited to external verification process and internal assessment. The fit and proper assessment includes reviewing the CV of the candidate, an in-depth interview, obtaining references and carrying out due diligence checks. Due diligence checks include verification of identification and address, criminal record, reference, credit checks and a probationary period of employment. The candidate is also asked to declare any interests so that the Board can review whether they have a conflict of interest. There is an ongoing responsibility on those persons occupying key positions to maintain their fit and proper status throughout their employment in that role.

B.4.Risk management system including the ORSA

The Company has a proportionate risk management function.

The Board sets the Company's risk strategy, appetite and framework. It assesses its underlying risk profile, its tolerance of the risks taken and whether those are within the risk appetite on an ongoing basis. The Company must operate within the limits set by the Board and these are monitored by both risk type and in the aggregate. This enables the Company to evaluate how different risks interact to determine where correlations and concentrations may occur, and allows the Company to pursue its strategic objective of seeking balance and diversity. Key risks and mitigating actions and controls are in place to manage the identified risks and these are detailed in the risk register which is subject to a biannual review, at a minimum.

The Risk Committee oversees the risk management framework, the development and operational implementation of the risk management policies and procedures, and advises the Board on how best to manage the Company's risk profile. The committee monitors and reviews the risk profile, the effectiveness of the risk management activities and the adherence to the agreed risk appetite and parameters.

The risk appetite statement sets out the nature, type and degree of risk the Company is prepared to take to meet its overall objectives. The risk appetite is owned by the Board and reviewed on a regular basis as new risks emerge, or at least annually. The objective is to protect the shareholder, policyholders and other stakeholders from adverse events. The Committee ensures that the necessary processes are in place to achieve compliance with statutory requirements and to protect the Company's policyholders, staff and assets.

The Company has a wide range of tools to monitor risks and ensure it remains within the appetite set by the Board:

- Own Risk and Solvency Assessment
- Key risk indicators (e.g. solvency capital ratio)
- Internal audit reports
- Risk register
- Capital management policy
- Review of financial performance (monthly management accounts) with key indicators
- Budget
- Underwriting and Pricing policy
- Outsourcing policy
- Documentation of procedures
- Ensuring the adequacy of reinsurance cover
- External actuarial review of technical claim reserves
- Ensuring compliance with the Risk Appetite Statement
- Performing regular solvency calculations
- Fully resourced compliance function
- Board review of the above

The information on risk management these tools provide is reported to the Risk Committee and to the Board. The Head of Compliance holds the Head of Risk function SMF 4.

The risk management system is effective and well integrated into the organisational structure and in the decision making process of the Company with proper consideration of the persons who effectively run the Company or have other key functions.

Own Risk and Solvency Assessment (ORSA)

An important part of the risk framework is the process involved in the production of the ORSA report. This assessment requires the Company properly to determine its own solvency needs to cover both short and long term risks. The risk based approach requires the Company to hold an amount of funds commensurate with the risks to which it may be exposed and thus the ORSA represents the Company's opinion and understanding of its risks, overall solvency needs and own funds held.

The intention of the ORSA is to enhance awareness of the interrelationship between the risks the Company is currently exposed to, or may face in the long term, and the associated capital requirements. As a management tool it is designed to enhance risk awareness in the Company's culture and decision making process and to assist the Company to obtain a real and practical understanding of the risk it is assuming.

The Company's ORSA assessment helps to ensure that the Company can continuously meet its regulatory capital requirements, as well as the internal capital targets in the face of changes to the Company's risk profile, overall business strategy and plans, approved risk appetite and tolerance limits, as well as the impact of developments in the external environment. The ORSA report contains information covering:

- Forward looking solvency and balance sheet projections
- Status of key risks for all major categories as identified in the risk register
- Own Economic and Capital Assessment

The Board has in place processes which are proportionate to the nature, scale and complexity of the risks inherent in the Company's business which enable the Board properly to identify and assess the risks that the Company faces in the short and long term and to which the Company is or could be exposed.

The ORSA is an ongoing process, with a full ORSA Report produced on at least an annual basis and in the event of a material change to the risk profile of the Company. The ORSA includes a calculation of economic capital required for the business after taking account various stress tests on the balance sheet.

The Solvency II Framework requires the Board to own the ORSA process. As a result, the Board is presented annually with a combination of stress and scenario tests and their impact on Solvency. The Board is satisfied that the stress tests are appropriate and they have approved the ORSA.

The ORSA process is reviewed and overseen by the Chief Executive Officer. The Chief Executive Officer attests to the continued appropriateness of this report and if it is no longer considered to be appropriate this will be escalated to the Board.

The ORSA process for the Company comprises the following high-level stages:

- Determination of strategic goals and objectives
- Data collection and analysis
- Setting of risk appetite, tolerances and actions taken to stay within risk appetite
- Risk management and monitoring framework
- Assessment of capital requirements for regulatory purposes and own economic purposes
- Assessment of the adequacy of solvency relative to capital requirements
- Calculation of technical provisions
- Consideration and review of the stress and scenario tests

The ORSA process includes an assessment of the Company's capital requirements over the next five years. A risk identification exercise is performed to highlight those risks that should be captured within the Company's economic capital model. The level of economic capital required is then derived using stresses consistent with the 99.5% confidence level movement over a 12 month timeframe. The instantaneous capital available to the Company is recalculated under the movement of each risk factor.

A further component of the ORSA process is the forward-looking risk assessment. Here an analysis is performed which considers risks and extreme scenarios that could render the business model as non-viable. The analysis captures both quantitative and qualitative factors and provides a framework by which the impact of all identified events can be mapped to the business plan and capital requirements.

The information provided ensures that risk and capital implications are recognised in the decision-making process and that appropriate control plans are developed to support successful delivery of business strategies and priorities.

The Company's ORSA covers various scenarios including an increase in claims provisions, a fall in the value of investments, a decline in premiums and paying additional dividends to the shareholder. These scenarios were considered in various combinations sustained over a five year period. The results formed the inputs of the Economic Capital Model. The Company has maintained the requisite level of solvency derived from the model.

B.5.Internal Control System

Internal controls refer to a control system within an organisation which oversees the proper conduct of its business. Internal controls encompass the policies, processes, culture, tasks and other aspects of an insurer that support the achievement of the insurer's objective. A sound internal control system facilitates the efficiency of operations, contributes to effective risk management, assists compliance with applicable laws and regulations, and strengthens capacity to respond appropriately to business opportunities.

The internal controls system assists the Board and Senior Management in the fulfilment of their respective responsibilities for oversight and management of the Company. The internal controls system provides them with reasonable assurance from a control perspective that the business is being operated consistently with the strategy and risk appetite set by the Board, the agreed business objectives, the approved policies and processes, and applicable laws and regulations.

The Company has an internal control policy which ensures that there are systems of checks and balances such that employees follow approved and documented policies and procedures which enable the Board to adequately monitor the business. In addition, these systems are periodically audited by internal and external auditors.

The Company's internal control and risk management system involves the governance bodies and the operating and control structures maintaining different and clearly defined responsibility levels, with the objective of ensuring the adequacy of the system as a whole at all times. Delegation of responsibilities to key function holders and their direct reports is set out in the Governance map.

The governance bodies include the Board of Directors and senior management.

The Board is responsible for the system of risk management and internal control and for monitoring its adequacy and effectiveness. The Board's objective is to ensure that the Company has an appropriate system in place for the identification and management of risks, including the development of internal controls to address the risks so identified.

Management is responsible for carrying out the directives of the Board of Directors including the implementation of strategies and policies and the establishment of an effective internal control system. Through regular and effective communication, management ensures that each staff member is fully aware of their role and responsibilities. Delegation of tasks and activities is undertaken commensurate with the level of competency required and the skill and experience of the individual. There are clear reporting lines which are set out in the Company's organisation chart included in this document. Open, constant dialogue and meetings are held between management and staff to ensure there is no overlap in each member carrying out their duties. Segregation of duties and functions minimises the risk of financial crime.

The types of control that exist within the business include, but are not limited to:

- Reconciliations
- System controls
- Authorisations and Approvals
- Physical Controls

In implementing each of the control activities in the business, consideration is given, where possible, to the segregation of duties to reduce the possibility of controls being overridden.

The organisational structures involved in the internal control function are:

- Internal audit (see below Section B6 for more detail)
- External audit. External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit. The Company is exempt from the external audit of this Solvency and Financial Condition Report
- Policies and procedures. Attached to significant risks are a series of policies that underpin the internal control process. Written procedures support the policies where appropriate.
- Monthly reporting. Comprehensive monthly reporting is designed to monitor key risks and their controls.
- Business planning and budgeting. The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources.
- Major risks. The Company's major risks are identified in the Risk Register using a risk scoring process.
- Audit and Risk Committees. Product Risk Committee and Product Governance Committees.
- Compliance. The Compliance function is responsible for determining whether the organisation and the internal procedures are suited to prevent the risk of judicial or administrative sanctions, loss of assets and damage to reputation, as a result of a violation of laws, rules or measures issued by the regulatory authorities. Whilst the business is responsible for implementing first line controls to manage and mitigate regulatory risk the role of Compliance is to:
    - Train and advise the business so there is a good understanding of the regulatory requirements and the regulatory environment in which it operates
    - Evaluate regulatory risk and assist in the identification of regulatory risk and advise on ways to manage and mitigate risk to protect the firm and its policyholders
    - Track, assess and communicate the impact of new regulation in a way that is tailored to the business. This will include developments to the Solvency II regime from the PRA following Brexit.
    - Advise the business on the design and implementation of controls
    - Monitor and challenge the behaviours and controls in the business to promote the compliance culture
    - Establish the framework for managing the Company's compliance risk
    - Approve certain policyholder communication prior to issue

Compliance interacts with regulatory bodies and authorities. Compliance monitors trends and changes in regulations and shares information and collaborates with regulators to manage reputational and compliance risks.

Compliance engages in a variety of activities and processes to identify, assess, control, measure, mitigate, monitor and report compliance risks across the business as part of its oversight and administration of the Compliance Plan.

The Board believes that the above internal control checks are appropriate given the nature, scale and complexity of the business.

Administrative, accounting, IT functions and HR facilities are outsourced to the NPA. Various internal controls operate in these outsourced areas to minimise the possibility of any one individual being able to override processes. Further details about the services outsourced are provided in the 'Outsourcing' section.

The Company is committed to the principles and rules of the Consumer Duty requirements. It reviewed and updated its product governance framework along with all customer communication to ensure good outcomes for all our policy holders are maintained. The Company's policyholders are the core of the business and are at the forefront of our strategy and service. The Company is committed to providing excellent customer service as evidenced by high retention levels.

The external auditors, PKF Littlejohn LLP, have also assessed the risk of management override of controls. In this regard they:

- Challenge management on key judgemental balances (e.g. IBNR reserve, free renewal reserve)
- Perform testing of key reconciliations (e.g. bank reconciliations)
- Test manual journals

The external auditors did not identify any material issues for reporting.

B.6.Internal Audit Function

The Company uses an external organisation, Grant Thornton LLP, to carry out an annual internal audit and this process is overseen by the Head of Compliance and reports to the Audit Committee. The Head of Compliance holds the controlled Function of 'Head of Internal Audit' SMF 5. By outsourcing the internal audit activity to a third party, the Company benefits from a wide pool of independent experts who provide benchmarking of processes and controls against other similar insurance market participants. Internal audit supports the Company in accomplishing its obligation by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.

The purpose of internal audit is to independently examine and evaluate the functioning, effectiveness and efficiency of the Company's internal control system and all other elements of the system of governance. Internal audit activities are designed to provide advice to management in improving the internal control environment, and monitor the implementation of strategic control initiatives and management's remediation activity. Management is satisfied that the Company's outsourced internal audit function is objective and independent from its operational functions.

Independence of the Internal Audit function is supported through the outsourced provider, if required, reporting directly to the Chairman of the Audit Committee. The Company does not engage its internal auditors for reasons other than a review of internal controls, as a safeguard against the risk to independence and objectivity.

A risk based and cyclical coverage approach is used to determine the annual Internal Audit Plan. This plan is shared and agreed with the Audit Committee and the Board along with progress reports, key findings and the number of open and past due issues. There is a rolling programme of internal audit activity which includes independent evaluation of compliance with company policies and technical reviews of underwriting and claims functions. There is a three year internal audit plan.

B.7.Actuarial Function

The Actuarial Function Holder SMF 20 is the Chief Executive Officer. The operational actuarial activity is outsourced to PricewaterhouseCoopers LLP to ensure that the Company has access to specialist actuarial knowledge and experience of general insurance. The actuary is appropriately qualified and has the appropriate level of skill necessary to perform this function in accordance with applicable professional and technical standards. By outsourcing the actuarial function to an external consultancy firm, this ensures that the Company's actuarial function is objective and free from influence of other functions or the Board. The Board do not consider it necessary to appoint a full-time actuary given size of the Company and scope of products underwritten. This approach is entirely consistent with the Solvency II directive in relation to proportionality and commensurate with its risks and appetite.

The actuarial function is responsible for:

- Calculating the technical provisions (including IBNR):
  - Ensuring the appropriateness of methodologies, models and assumptions
  - Assessing the adequacy and quality of data used
  - Informing the Board of the reliability of the calculations
- Analysing the movement in technical provisions, including the comparison of the best estimates against experience
- Opining on the underwriting policy and adequacy of the reinsurance arrangements
- Contributing to the effective implementation of the risk management system, in particular to the modelling risk aspect of the ORSA and MCR/SCR calculations

The actuary maintains regular contact with the Chief Finance Officer and the Finance Team and provides an annual report to the Board on its activities. The actuary's year-end review of reserves is subject to external audit.

Management is satisfied that there is an effective actuarial function which is outsourced to persons of appropriate experience and expertise.

B.8.Outsourcing

The Company has chosen to outsource some of its operational functions and activities in order take advantage of economies of scale and external expertise. Many of these functions are outsourced to the NPA. The long established relationship with the NPA diminishes the risk of any issues arising from this arrangement.

The Company is committed to complying fully with all applicable regulatory requirements relating to the outsourcing of a function, including the requirements of Solvency II and the requirements of the FCA and PRA. The Company's policy for outsourcing is to ensure that adequate systems of governance are in place with outsourcing partners as the Company is responsible for discharging its Solvency II obligations whether or not these are outsourced. To meet these requirements the following controls are in place:

- An outsourcing policy sets out a risk and impact assessment of outsourcing on the Company's business activities
- The policy sets out the criteria for determining whether a function or activity is crucial or important
- The policy sets out the due diligence process that should be followed prior to the outsourcing services of appropriate quality are authorised
- The policy sets out the monitoring arrangements required to meet the outsourcing risk assessment and written details that should be contracted between both parties
- The policy sets out the required continuity arrangements and exit strategies for outsourced critical functions, which are largely managed by the Company as discussed above

Given the nature and scale of the organisation the actuarial, internal audit and investment management functions are outsourced to UK providers. The relationships are managed by the executive and overseen by the Board and various committees.

The administrative services to the Company e.g. finance (including treasury), HR, IT, marketing, facilities, member administration are outsourced to the NPA which is set out in a shareholder agreement. It is viewed to be cost effective to outsource these functions given the relationship with the NPA, the shared premises and customer base. The relationship is managed by the executive and overseen by the Board. The cost of providing these operational services is agreed between the respective Boards. There is also a service fee agreement between the NPA and NPAI.

The Company believes that senior management have sufficient knowledge and experience regarding the outsourced function to be able to challenge the performance and results of the service provider.

The Company also assesses the impact of outsourcing on its operational risk in the Company's Risk Register.

The Board retains responsibility for discharging all outsourced activities and the Board's oversight is exercised through the following activities:

- Approval of scope and content of outsourcing
- Review of internal delegations of authority

Fundamental responsibilities such as the setting of strategy and policies, the oversight of the operation of the company's processes, and the final responsibility for the insureds are not outsourced. Critical or important operational functions and activities will not be outsourced.

NPAI is a wholly owned subsidiary of NPA which is a mixed activity insurance holding company (MAIHC). Group supervision and reporting does not apply to the MAIHC. There is a shareholder agreement between NPAI and NPA which sets out the responsibilities of both parties. The NPAI Board will report to the Finance and Financial Audit Committee of the NPA whose Chairman is the Treasurer of the NPA who has group manager SMF 7 responsibility.

B.9.Any other information

The Board believes that the system of governance of the Company is appropriate to the nature, scale and complexity of the risks inherent in its business. There have been no material changes within the system of governance over the reporting period. All the relevant points have been detailed in this report and there are no further disclosures required at this time.

C. Risk Profile

The Board is responsible for overseeing the Company's risk management and internal control systems, which management is responsible for implementing. The Company maintains a strong risk governance framework using the Risk Committee consisting of executive and non-executive Directors. The Risk Committee monitors and reviews the risk profile and the effectiveness of all risk management activities and, in particular, monitors adherence to agreed risk limits per the Company's risk appetite statement.

The Company uses the Standard Formula to calculate its regulatory capital requirements. The Company ensures that it remains in continuous compliance with the requirement to ensure that it maintains a level of capital in excess of its regulatory Solvency Capital Requirement (SCR). The Board reviews the management accounts and other relevant information at each Board meeting to assess whether there is any deterioration in the financial results that may impact negatively on the Company's capital position and which may impact on the ability to meet its regulatory requirements.

The Company's risk register details the risks to which it is, or may be exposed. For each risk there are a number of controls in place that are used to mitigate the risk and these are monitored over time. Risk controls can be tools or techniques to proactively identify, manage and reduce risk and may involve policies, standards, procedures and operations of the Company. The risk register describes risk controls for each risk and identifies controls ownership. The Compliance Officer facilitates the process to enable the risk owners to identify risks, develop control activities to mitigate the risk within appetite and to carry out risk assessments. The Compliance Officer assesses the effectiveness of the controls and works with control owners to address any control weaknesses. Information on risk is presented to the Risk Committee which is chaired by a Non-Executive Director.

As mentioned above a range of sensitivity tests is conducted for the Company which allows for a better understanding of the key sensitivities for capital requirements. The Company carries out stress and scenario testing as part of the ORSA process. As part of this process, the Company undertakes reverse stress tests which are explicit scenarios most likely to render the business unviable. Following the ORSA process management concludes that the Company has sufficient capital to meet its solvency needs and to achieve its business goals to within an acceptable level of confidence.

The Company has projections for solvency and its components to monitor material risk exposures given the Company's business strategy. The claims projections are based on past claims history industry statistics and these have been reviewed by the actuary.

C.1.Underwriting risk

Underwriting risk is defined as the risk of loss resulting from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, focusing on risks that arise from the acceptance of business.

The company takes a conservative approach to underwriting risk, prioritising the financial security of the Company, adherence to regulatory requirements and protection of its policyholders.

The key underwriting risks which the Company is currently exposed to are set out below:

- Adverse claims development (reserve risk). This is the risk arising from risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claims settlement
- Inappropriate underwriting risk (premium)
- Lapse risk – this is the decrease in future contracts used in the calculation of technical provisions

The Company is exposed to non-life catastrophe risk as it underwrites property based risks.

Post Brexit, the Company trades in the UK, Channel Islands and Isle of Man and is managing the run off of the small proportion of claims arising from the business previously written in the Republic of Ireland.

The Company mitigates underwriting risk through the following:

- Purchase of reinsurance. The Company purchases reinsurance to manage its exposure to large individual indemnity risks and claims in aggregate. The Company also purchases reinsurance to manage its exposure to large individual property risks and a catastrophic (mainly weather-related) event. There is a separate quota share reinsurance in place for 40% of the XS Assure MGA, with the remaining 60% of the XSA protection combined into a reinsurance treaty for general liability risks. The reinsurers have a high grade of creditworthiness The Company will continue to act as broker for the motor book which carries no insurance risk and will act as a broker for Home policies from 1 January 2025.
- Effective claims management. Senior management regularly review claims files and use KPIs in managing claims
- Review of prices annually although price adjustments can occur mid-year if necessary
- Performing regular solvency calculations
- Appropriate and regular reporting on a monthly basis at management/claims/underwriting meetings and quarterly at Board level. Monthly management accounts are reviewed internally and these accounts, together with a business report, are presented to the Board, seven times a year.
- Purchase of peril data for flood and subsidence risk
- Monthly monitoring of retention levels
- Additional tools:
    - Independent actuarial reviews
    - Regular internal and external audit review of premiums and claims
    - Pricing for larger customers and higher claimants is based on assumptions which have regard to claims trends and past experience
    - ORSA to assess the performance of key risks under stressed conditions

Due to the wide geographical spread of the business in the United Kingdom the potential for a concentration of risks to significantly affect capital levels is limited. The Company's indemnity policies are pharmacy specific targeting highly educated and trained individuals operating in a heavily regulated market. The Company's general insurance and Peach policies are not restricted to any particular location.

There are strong controls around the calculation of the underwriting risk within the standard formula including sensitivity testing (in the ORSA) and the review of the results.

The company models certain stresses and scenarios through its SCR financial model in the ORSA. The Company models the impact of claims increases, fall in investments, paying additional dividends and a fall in premiums. Under each of the stresses occurring in isolation the solvency ratio remains within the Company's risk appetite.

A 20% increase in Solvency II technical provisions would decrease the SCR to 1.51

The company does not use special purpose vehicles.

C.2.Market risk

Market risk refers to the risk of loss resulting from adverse financial market movements including interest rates and exchange rates. Market risk is a key component of the SCR.

The Company is exposed to market risk through its direct holdings of highly rated short duration fixed income instruments. These investments are diversified over a number of companies, industries and geographical locations in such a way to avoid excessive reliance on any particular asset, issuer or group of undertakings and excessive accumulation of risk in the portfolio as a whole.

The Company is currently not exposed to equity risk or currency risk. The Company's investments are listed and traded on the UK Stock Exchange.

The largest components of market Risk for NPAI are spread risk and concentration risk and there is a large diversification benefit.

A decrease in the value of invested assets may have a material adverse effect on the Company's results, financial condition and liquidity. Current mitigation tools against this include:

- Governance processes around investment strategy
- Capital management policy sets limits on asset classes
- Quarterly investment guidelines compliance confirmations issued by the asset manager
- Portfolio diversification and asset allocation
- Regular Board oversight

A material decrease in the Company's investment is highly unlikely as its investments are presently invested in highly rated short duration bonds, gilts and supranational fixed income instruments. The focus is on producing high quality fixed income.

In addition the Board maintains a risk register. The risks recorded in the register are categorised by category of risk, and then graded based on their likelihood and impact.

The Company has delegated its tactical investment decision making to a fiduciary manager (London & Capital), which also provides investment advice to the Company under a Fiduciary Management Agreement. Investment decisions are made by the asset manager in accordance with targets and restrictions agreed with the Company and set out in the Fiduciary Management Agreement and Capital Management Policy. The Fiduciary Management Agreement includes targets and restrictions, as part of a strategic asset allocation, which are designed to ensure that the Fiduciary manager can identify, measure, monitor, manage, control and report to the Company the risks in investments made so as to allow the Company to assess the relevant risks as part of its solvency assessment. As noted earlier the Company has adopted a revised strategy to maintain a stable return whilst minimising investment risk.

The Company receives a monthly investment valuation from its asset manager and a quarterly summary which includes a narrative analysis of its quarterly investment performance and the risk profile of the investment portfolio.

The Company invests the assets used to cover the MCR and the SCR in accordance with the 'prudent person principle'. The prudent person principle defines that assets must be invested in a manner that a 'prudent person' would - that is the decisions are generally accepted as being sound for the average person.

The essential element of the Prudent Person Principle is that investments held to meet the liabilities should be appropriate to the nature of the liabilities. The Prudent Person Principle removes the restriction on the type of assets that an insurer can hold although under Solvency II capital charges are used as a measure to determine risk. This higher freedom should be matched with policyholder protection. To do this the Company believes it has an adequate system of governance ensuring a high level of responsibility and accountability and an adequate level of reporting to its supervisors. The Company has in place a system that ensures proper identification, measurement, monitoring, management, control and reporting of its investments.

In alignment with the Prudent Person Principle the Company:

- Adopts a relatively conservative approach to investments and sets to safeguard the assets of the shareholder
- Holds sufficient investment values and investment liquidity to ensure all liabilities are met as they fall due

The Company carries out stress and scenario testing as part of its annual ORSA which includes stress testing of a decrease in investment valuations. For all stresses and scenario tests the solvency after the stress test is projected for a period of five years to assess the current and future solvency position after the occurrence of the stress event or scenario. The exposure to market risk is also monitored periodically by running the standard formula based capital model.

A 20% decrease in the value of investments will decrease the SCR to 1.63

The Board will regularly assess compliance of the investment portfolio with its targets and restrictions and review the Company's investment risk appetite in line with Solvency II and PRA rules.

The Company does not directly invest in derivatives.

C.3.Credit Risk

The Company has exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due.

The Company's risk appetite states the minimum credit rating for reinsurers and depositors as well as the maximum exposure to a single deposit taker.

Key areas where the Company is exposed to credit risk are:

- Reinsurers: Through reinsurers' share of insurance liabilities and amounts due in respect of claims already paid
- Cash and short term deposits: Through default of the bank holdings of cash and cash equivalent
- Corporate bonds: Through the failure of the bondholder to pay interest or capital

The key risk is that one or more of these counterparties fail.

Reinsurance is used to manage insurance risk. This does not however discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company's risk appetite is that at the inception of any reinsurance contract all reinsurance providers to be rated no less than A (Standard and Poor's or equivalent). If the rating of any reinsurer falls below this rating during the term of the contract the Board shall review the position. Subject to Board approval the business can pursue specific opportunities with reinsurers and/or capacity providers with less than an A rating in exceptional circumstances. The Company is alerted by its brokers on any changes of the credit rating of its reinsurers. Reinsurance receivables are closely monitored and controlled with short credit periods mitigating any risk exposure.

The Company's capital management policy documents its investment policy including how it identifies, measures and controls associated risks as well as meeting regulatory and legal obligations.

The Company's cash and deposits are held with 'A' rated institutions.

The Company has carried out stress and scenario tests in previous ORSAs for credit risk and exposure to counterparty credit risk is also monitored periodically by running the standard formula based capital model. The majority of cash and short term deposits are held with institutions having a credit rating of at least an 'A'.

No derivatives or other risk mitigation techniques have been used in relation to credit risk.

C.4.Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due as a result of policyholder benefits payments and cash requirements from contractual commitments. Such outflows would deplete available cash resources for operational, trading and investment activities. In extreme circumstances lack of liquidity could result in the sale of assets at distressed prices. The primary liquidity risk of the Company is where there are insufficient available assets to pay claims to its policyholders as they fall due.

Liquidity risk is managed as follows:

- Forecasting: the Company prepares and reviews forecasts for itself and its parent company so that inflows and outflows can be known in advance. The Company's main sources of inflows are insurance premiums and commission income whilst outflows are largely through claims payments to policyholders, expenses and general administration costs
- Cash: available cash is invested according to the Company's investment policy and cash requirements have historically been met through regular income streams. The Company monitors the levels of cash and short term deposits on a daily basis ensuring adequate liquidity to meet the expected cash flow requirements due over the short term
- Stress tests: The Company runs stress tests to estimate the impact of a major catastrophe on the cash position to identify potential issues
- Liquid assets: The vast majority of the Company's investments are in highly liquid assets, which can be converted into cash swiftly and at minimal cost. Following a revised investment strategy the Company holds a liquidity fund which is held to meet any working capital requirements.

The Company considers that the composition of its investment assets in terms of their nature, duration and liquidity are appropriate in order to meet its obligations as they fall due.

Liquidity risk is not considered to be a material risk for the Company and is mitigated by the level of cash held in investment and bank accounts.

C.5.Operational Risk

Operational risk refers to risk from inadequate or failed internal processes, people, and systems, or from external events, including regulatory control failures or cyber attacks. It also includes the risk of loss resulting from failure to comply with laws as well as prudent ethical standards and contractual obligations and the exposure to litigation from all aspects of business activities.

The management of operational risk is a core component of the Company's risk management framework and there are various lines of defence to mitigate operational risk.

The first line of defence is the business function. Managerial staff are responsible for identifying potential risks and maintaining appropriate controls with consideration of any relevant outsourcing arrangements. The second line of defence is provided by oversight functions including the Audit and Risk Committees who review the Risk Register which includes key operational risk areas. Internal audit provides retrospective independent assurance over the design and operation of controls and is the third line of defence. The Company also has a business continuity plan in place which deals with external events which may impact operations.

There are many facets of operational risk that may impact the Company:

i) Information systems failure

The firm considers the risk of error or failure associated with the technological aspects (IT systems) of its operations. Specifically, technology risk refers to both the hardware systems and the software utilised to run those systems.

The NPA has a hybrid IT support structure where a dedicated IT team is utilised to provide application support to the business and an external Managed Service Provider (MSP) called Trident provide all infrastructure support including backups, replications, networking, security and desktop/laptop support to staff. Trident are an approved MSP with ISO27001, 9001:2015,14001 accreditation. Trident Group was established in 1991. Furthermore, computers and servers are replaced to keep up to date with technology and cloud services utilised wherever possible. All electrical systems are tested externally once a year. There are IT Policies including GDPR compliance documentation, an Information Security policy plus email and IT systems usage policy. All staff are required to complete mandatory GDPR training and mock phishing campaigns are utilised to identify weaknesses in security awareness. The Company is archiving legally related emails and ensuring non-manipulation. This is completed using Exchange Online which works in conjunction with Outlook to process emails in the background.

The NPA IT department has specialist skills in software application support and has significantly improved all IT systems and processes across the NPA Group. This will make a significant impact in reducing technology risk. Daily back-ups are made to an external site, real-time replication is also used to a dedicated disaster recovery provider to ensure IT systems are available in the event of business interruption. IT systems that were moved to the Cloud in 2023, Exchange online (email), O365 applications for office, Wildix virtual PBX phone system, Access Dimensions, Acturis was already in Cloud, the primary CRM Salesforce is also in the cloud.

These applications constitute the core critical applications and systems that are now operating from Tier 1 data centres for optimal resilience and service availability.

Another IT risk to be considered is breach of data security of electronic data and or hard copy data files. The impact of this would be regulatory censure and damage for the NPAI brand. All NPA data is held on internally facing servers or Microsoft's secure cloud environment. No external facing servers have any sensitive data and all NPA IT systems are protected behind a secure firewall and multiple security layers. Access to USB drives is disabled on company desktops and laptops.

Security of IT systems is managed by Trident. All infrastructure and IT security is the responsibility of Trident. Trident are implementing Cyber Essentials certification to demonstrate the level of protection for the NPA IT systems. External penetration tests and vulnerability scans are conducted.

There is a dedicated server room within the Company. All IT hardware required to run the business is located within the air conditioned, temperature monitored room with a dedicated electrical supply purely for the IT systems or in a SaaS cloud environment. The IT hardware is also backed up and supported by an uninterrupted power supply in the event of a power failure.

The entire virtualised IT infrastructure and software is replicated to a dedicated disaster recovery solution within Microsoft's Azure cloud environment.

All data including Virtual Machines and databases are replicated offsite and a copy is kept locally on secure servers onsite.

Operational resilience processes are in place and fully documented to ensure the business can operate in the event of service disruption. These recovery procedures are tested periodically.

All merchant services are PCI compliant and PayGuard software has been introduced into the telephone system which enables customers to key in their credit/debit card numbers rather than reading them out to the operator.

The Group has recently gone live with a new CRM system, Salesforce, to replace the current CRM system Integra. Salesforce is a software as a service system and has many improved functions over the current CRM platform. There will be data integration between Salesforce and Acturis. Acturis is the primary system used to enter member details for the pharmacy professional indemnity policies and that data is imported into Salesforce from the Acturis data warehouse. Acturis will also utilise an inbound API to check Salesforce for membership numbers (which Acturis cannot generate) so there is a symbiotic relationship between Acturis and Salesforce just as there was with Acturis and Integra. This would mean that it would be easier to keep the systems in sync. Also the mandatory information from Acturis is locked into Salesforce so it cannot be overwritten.

ii) Compliance with legal and regulatory requirements

The Company is subject to a comprehensive set of legal and regulatory requirements. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme circumstances, withdrawal of regulatory authorisation. Non-compliance may also lead to costs relating to investigation and compensation of affected members. In addition, reputational damage may adversely affect the long-term future of the Company.

These risks are mitigated by the Compliance function and regular audit reviews. The Compliance Officer has the responsibility for monitoring new and pending legislation from the PRA and relevant bodies that could possibly impact the Company.

Senior management regularly monitors relevant media outlets to identify and evaluate possible sources of regulatory or legislative changes. Where a likely source is identified, the Company will look to minimise any detrimental impact on the Company's strategy whilst exploiting any opportunities that may arise.

iii) Conducting business fairly and ethically

The success of the Company is built on a foundation of fairness and honesty in its dealings with its key stakeholders. A breakdown of the Company's cultural values could expose it to the risk of reputational damage and contribute to an increase in a range of other business risks.

The Company has put in place a range of controls and processes to manage this risk. The key decision makers are encouraged to take a holistic view and not simply focus on narrow commercial factors.

Personnel Risk has also been considered as part of Operation Risk assessment. The Company recognises that as a small organisation, it is highly reliant on a small number of senior employees (especially its executive team) to perform effectively in order to function. It is also highly reliant on the fidelity of those employees.

The Company is wholly owned by the NPA which is a trade association for independent community pharmacy owners in the UK. The NPA holds the ethos of a membership organisation based on the following principles: Support, Protect and Represent. The members of the NPA are at the heart of all the activities of the organisation. As noted above the Company is committed to the values of treating customers fairly.

iv) People – loss of key staff or flight risk

The Company could be adversely affected by the loss of one or more key employees or by an inability to attract and retain qualified people.

The Company's remuneration strategy is designed to reward talent and success and the Company has a proven track record of being able to retain high-performing staff. The aim is to recruit talented staff and invest in their technical and professional development over many years so that they have a well-rounded experience to take on more senior roles within the Group.

v) Fraud risk

Fraud risk relates to the risk associated with intentional misappropriation of funds, undertaken with the objective of personal benefit at the expense of the firm.

In assessing fraud risk, the firm considers the possibility of fraudulent acts occurring within the firm and the extent of controls which management has established to mitigate such acts.

A previous review of the claims process with regards to fraud risk has found sufficient risk and controls are in place to mitigate these risks to de-minimus levels.

Fraud risk (both claims and non-claims) is controlled by:

a. restricted access to files and documentation
b. segregation of duties and peer review of cases
c. management review of activity (e.g. monthly claims analysis and management accounts review)
d. authorisation procedures in moving funds which involves segregation of duties
e. separate invoice authorisation, cheque payment procedures and payment limits
f. robust claims management processes
g. bank reconciliations are performed by staff not involved in the payment approval process
h. internal audit reviews
i. Regular reviews of IT systems and controls including internal and external threat assessments
j. Staff training and awareness programs to help identify fraudulent communications.

No incident of deliberate fraud has been noted in the history of the firm as far as management is aware.

NPAI have fidelity insurance to cover employee fraud within the Company.

NPAI have a good reputation and standing with members and is conscious of the protection of its name and brand.

The external auditors have assessed the risk of fraud in revenue recognition. They have performed detailed testing on premiums, commission revenue and investment income including realised and unrealised gains/losses. They found no issues to report.

vi) Reputational risk

NPAI is entirely dependent on the good reputation of the NPA as the trade association for pharmacists. The Association is well regarded by its members for providing high quality services and supporting members to develop their businesses.

vii) Group risk

NPAI benefits from the name and reputation of the NPA, its parent Company. The relationship is symbiotic, NPA's members rely on being indemnified by the NPAI.

The Company is supporting its shareholder in investing in products and services for the benefit of its members whilst the NPA has been investing in projects to support its members in issues affecting the retail pharmacy sector. Given such a unique relationship there is no reason why such a relationship should not continue.
From time-to-time NPAI provides loan capital to the NPA. The amount of the loan is included with the intercompany asset held within the balance sheet. There is an intercompany loan agreement between NPAI and NPA. It is anticipated that the shareholder will, over time, use surplus profit and dividend payments from NPAI to repay the balance. Should it become apparent that the Company will not generate sufficient dividend payments and the shareholder will not generate sufficient profits to make this possible, then the Company may exercise its right to call in the loan. In this eventuality, the shareholder may need to sell its freehold property.

The NPA Group does not have any external borrowing or shareholders as National Pharmacy Association Ltd is a company limited by guarantee.

viii) Loss of key customers/members

A key risk to the business is the loss of policyholders, especially the medium to larger businesses with several pharmacies. These organisations account for significant revenue streams and their loss would impact the business and profitability. In addition to the immediate loss of revenue it would impact the Company's growth towards achieving efficiency in overhead and reinsurance spend. For example, in respect of reinsurance costs, the Company has minimum premiums to cover.

ix) Pharmacy Funding Cuts

In the last 10 years, the Department of Health and NHS England have reduced core funding to community pharmacy services by 30%, equating to an annual shortfall, per pharmacy, of between £67,000 and £100,000. These cuts have had a detrimental impact on the Company's policyholders with many pharmacies having to close. The parent company is leading on a campaign to overhaul the Community Pharmacy Funding Framework and provide equitable funding in 2025 and beyond and NPAI is continuously monitoring the situation.

There is very little concentration of risks as these are very disparate events with very little or no correlation with each other. The impact of operational risk on the total capital charge is very small and the charge in the standard model formula is based on technical provisions and earned premiums.

These risks classified under the operational risk profile have been identified, assessed and articulated in the risk register. Relevant risk and control owners report to the Board and risk function holder and are responsible for identifying new, emerging or changing risks and any consequent control changes required to realign the risks with the risk appetite.

The Company has put in place a strong internal control framework which mitigates operational risk. In particular the following are key controls in managing this risk:

- Appropriate segregation of duties across all functions
- Systems access controls
- Regular management accounting process including reconciliations and checks
- Business continuity and disaster recovery plans
- All outsourced arrangements conducted under formal agreements
- All material contracts reviewed by the Compliance Officer
- Regular reviews of business plans and budgets
- Appropriate governance structures including regular Board meetings

There were no changes to the material risk exposures during the reporting period, nor to the measures used to assess those material risk exposures.

C.6.Other material risks

Strategic Risk

Other potential material risks, which are not included in the previous categories include a series of strategic risks such as:

- Risk of further competition entering the market, mitigated by management keeping abreast of market changes and ensuring that the Company's products are appropriate and competitive
- Failure of corporate strategy, mitigated by regular review of strategy by Board and Management
- Inadequate risk management, mitigated by the risk management system in place described above, including regular monitoring of the risk register by Management
- Increased activity from financial services regulators as a consequence of Brexit, mitigated by monitoring the regulatory and political landscape
- The Company has embarked on a strategy to underwrite further new classes of business to maintain and improve its medium and long term prosperity. The Company is familiar with these markets having acted as a broker for this business. The Company is now expanding its business beyond its traditional market.

The Company is aware of the dangers of following an inappropriate strategy or failing to implement a desired strategy.

Regulatory Risk

Regulatory risk is the risk of loss arising through a breach of regulatory requirements or failure to respond to regulatory change. The Company is required to comply with the requirements of the PRA and FCA.

Risk mitigation includes ensuring that the Compliance Officer monitors that regulatory reporting is performed with the agreed timeframe and the Company is in compliance with its regulatory obligations.

Stress Tests

Stress tests are performed on the material risks the business is exposed to and are conducted on an annual basis. Stress tests carried out as part of the ORSA process on the solvency position at the time as well as the projected positions. These tests have highlighted that the Company is sufficiently capitalised to meet obligations to policyholders under stressed conditions.

C.7.Any Other Information

All material information regarding the Company's risk profile is disclosed above. The Company does not provide any collateral, has no collateral agreements and has no contingent liabilities. The Company does not engage in securities lending or borrowing and has not entered into any 'repo' agreements. The Company does not invest directly in derivatives.

D. Valuation for Solvency Purposes

The Company's Solvency II assets and liabilities are presented on an economic basis consistent with the "fair value" accounting concept. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms length transaction. The Company prepares its statutory financial statements in accordance with UK GAAP standards. Full details of the basis for the preparation of the Company's financial statements, critical accounting estimates and judgements and key accounting policies are set out in those financial statements.

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

The Company exercises judgement in selecting each of its accounting policies. The Company has followed a consistent approach in selecting its valuation approaches for Solvency II.

The following sections describe the valuation approaches used by the Company for valuing its assets and liabilities.

The Solvency II balance sheet categories shown in this section are based on the format used for reporting on the Quantitative Reporting Template ("QRT") IR.02.01.01 (Balance Sheet), and account items in the Company's trial balance are mapped to the various line items of this template. Technical Provisions (Best Estimate Liabilities ("BEL") and Risk Margin) are shown as reported in IR.17.01.01 according to the rules specified in the Log for that template.

Regulatory Balance Sheet

In accordance with Solvency II assets and liabilities other than technical provisions have been measured in accordance with the principle of an arm's length transaction between knowledgeable, willing parties using market consistent valuation methods. Technical provisions have been valued in accordance with Solvency II.

The material classes of assets shown in the Solvency II balance sheet and values for the corresponding assets shown in the Company's financial statements are shown below as at 31 December 2024:

Type	Description	Solvency II	Statutory Accounts	Change
Assets		**£**	**£**	**£**
	Intangible assets	-	-	-
	Property, plant and equipment	33,357	33,357	-
	Deferred tax asset	37,071	37,071	-
	Collective investments	25,885,576	25,885,576	-
	Deposits	3,042,201	3,042,201	-
	Reinsurance recoverables	11,531,055	15,251,401	(3,720,346)
	Reinsurance receivables	1,854,859	1,854,859	-
	Loans and mortgages	3,520,000	3,520,000	-
	Cash and cash equivalents	4,330,126	4,330,126	-
	Any other assets	5,730,033	5,730,033	-
Total assets		**55,964,278**	**59,684,624**	**(3,720,346)**
				-
Liabilities				-
	Technical provisions	28,066,819	34,692,497	(6,625,678)
	- Best Estimate	27,319,847	-	
	- Risk margin	746,972	-	
	Deferred tax liabilities	-	-	-
	Insurance and intermediaries payable	44,701	44,701	-
	Reinsurance payable	3,371,849	3,371,849	-
	Trade payable	1,542,605	1,542,605	-
	Other liabilities	2,690,144	2,690,144	-
Total liabilities		**35,716,118**	**42,341,796**	**(6,625,678)**
Own funds not approved under Solvency II		-	-	-
Excess of assets over liabilities ('Own Funds')		**20,248,160**	**17,342,828**	**2,905,332**

D.1.Assets

Intangible assets

Intangible assets have a nil valuation for Solvency II purposes.

Investments

Investments comprise of a direct investments in bonds, gilts and supranational. The Company believes its policy on the fair value of investments to be consistent with the hierarchy of valuation methods required for Solvency II. Accordingly, the valuation policy on fair values is applied consistently between the Company's Solvency II reporting and its statutory financial reporting. Investments are therefore valued for Solvency II purposes on the same basis as the annual financial statements, which follow UK GAAP. All investments are traded on mainstream exchanges. A breakdown of investments is shown in Section A.4. As these are listed on the UK Stock Exchange their valuation is based on a fair value level 1 basis.

The fair value of financial instruments traded in active markets is based on quoted bid market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets by the Company is the current bid price. These investments are included in level 1. Instruments included in level 1 comprise primarily 'blue chip' equity investments classified as shares and other variable yield securities and authorised unit trusts. Level 2 assets are financial assets that do not have regular market pricing but whose fair value can be determined based on data values or market prices.

Reinsurance recoverable

Reinsurance recoverables are estimated based upon gross provisions for claims outstanding, having due regard to collectability. Included within this total is a proportion of reinsurance payables, which is considered as being past due, and so net off against reinsurance recoverables. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of claims reported to date. For the Solvency II balance sheet, these recoveries have been discounted at the risk-free rate and the majority of the difference between the Solvency II figure and the financial statement figure reflects this discounting.

Other assets

Other balances represent tangible assets, reinsurance receivables, cash at bank and other assets. Receivables are recognised when due and include amounts due from insurance contract holders. Receivables are recognised as amounts expected to be received. Due to the short-term nature of the Company's receivables amounts are not discounted. Following a review of tangible fixed assets it is the opinion of the Directors that the fair value of plant and equipment is materially the same as the carrying value in the financial statements and therefore no adjustments have been made. All other assets are valued for Solvency II purposes on the same basis as the financial statements. There were no changes to the recognition criteria during the year.

D.2.Technical provisions

Solvency II introduces a fundamentally different approach to establishing technical provisions for outstanding claims and premiums compared to UK GAAP. Article 76 of the Solvency II Directive requires that technical provisions should represent the current amount an insurer would have to pay for an immediate transfer of its obligation to another insurer. In general, technical provisions are calculated as the sum of a best estimate of the claims, premiums and expense cash flows that are discounted to give an estimate of the provision. Finally, a risk margin is added. Technical provisions are not discounted in the financial statements.

The best estimate is calculated as a probability-weighted average of future cash flows, discounted using the relevant risk-free interest rates which are derived from swap rates using the EIOPA yield curve. The cash flow projections take account of all future cash flows over the full lifetime of the existing contracts.

The premium provision is the expected present value of future cash flows relating to future claims events on existing policies. The unearned premium reserve is used as a starting point to estimate the gross best estimate premium provision. The calculation of the best estimate of the premium provision relates to all future claims payments arising from future events that are insured under existing in-force policies, corresponding future administrative expenses, and all expected future premiums. To determine the nominal amount of future claims and expenses the cash flow projections for unearned premiums are multiplied by the combined ratio.

This means that expected profits are immediately recognised as the Company applies its estimated combined ratio which historically has been less than 100%.

The claims provision is the expected present value of future cash flows relating to claims events which have occurred. The claims provisions on a UK GAAP basis have been used as a starting point for the expected nominal value of the Solvency II future cash flows. Projected cash flows are estimated by applying payment patterns to the estimates of gross claims and recoveries. The payment patterns have been calculated based on historic trends using standard actuarial techniques with an overlay of actuarial judgement. Under this method the amount of claims paid to date are arranged by year of development (the period from policy inception to claim) and policy year. The pattern of claims development revealed by this claims triangle is determined and then applied to estimate claims amounts in the later years of development. The historic claims pattern is relatively stable and these are used to project future expected cash flows of the ultimate claims. These cash flows are discounted back to give the value of the claims liability.

Claims, premiums and expense cash flows have been discounted using the EIOPA yield curve.

Technical provisions have increased compared to the previous year as the company expands business into new markets.

The risk margin has been considered to ensure that the value of the technical provisions is equivalent to the amount that would be expected to have to be paid to a third-party insurance company in order to take over and meet the insurance obligations of the Company. The risk margin has been calculated based on the estimated capital requirements to run off the Company's obligations and applying a cost of capital of 6%. The capital based to run-off the portfolio is based on a simplification method. Rather than explicitly calculate the SCRs of the Company at each future maturity, a simplification is applied to estimate these future SCRs.

Allocated claims handling expenses are included in these estimate claims reserves and unallocated claims handling expenses are calculated as a percentage of total operating costs. These expenses are allocated between the claims and premium provisions.

Technical provisions for solvency purposes are required to allow for events not in data loading, those that may not have been historically observed before. These events are referred to as 'Events Not In Dataset' (ENID) and are not presented in a set of observable historical loss data. This is a difference in valuation methodology compared to the UK GAAP accounts which consider best estimates which can be reasonably foreseen, and therefore leads to a loading on the technical provisions to consider the probability-weighted effect of events which have not previously been observed. The Company has made an estimate of ENIDs and has incorporated this loading to the Solvency II claims and premium provisions.

The Company adopts the principle of correspondence in its treatment of all reinsurance, for both current and future reinsurance contracts. Technical provisions take account of future reinsurance premiums where the purchase is consistent with the ongoing business strategy as laid out in the budget.

The key areas of uncertainty around technical provisions are as follows:

- Estimation of claims outstanding – while information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty. The inherent uncertainty in insurance claims makes it likely that historical data will not be wholly predictive of the actual future emergence and development of claims. Significant delays may occur in receiving notification of certain claims and a large measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the reporting date. The Best Estimate technical provisions are determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent development. The Company's historic claims data demonstrates a high level of stability particularly with low value attritional claims. The major uncertainty is the value and frequency of large losses which have been historically infrequent. The Company's reinsurance programme partially mitigates the impact of this uncertainty

- Estimation of the losses relating to claims which have been incurred but not reported ('IBNR') – this is generally subject to a greater degree of uncertainty than estimating the claims outstanding since the nature of the claims is not known at the time of reserving
- Events not in data loading – estimating a provision for events not in data is subject to considerable uncertainty as the events being reserved have not been observed
- Risk margin – the risk margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run off. However, the Company's claims have a short to medium tail and therefore the capital impact arising from this uncertainty is expected to be low. This risk margin makes up only a small proportion of the technical provisions
- Long tail claims – whilst the vast majority of claims are settled within a relatively short period some claims take much longer to settle, particularly with respect to indemnity and liability claims. There is inevitably a greater degree of uncertainty for such claims. Historically the Company has experienced very few long tail claims
- The legislative and market environment in which the Company operates may change and this could impact best estimates and projected future cash flows

The Company manages the risks around these uncertainties via the following actions:

- Ongoing monitoring of claims, including regular reviews of claims handling functions
- Maintaining a reinsurance arrangement to limit the impact of adverse claims development
- External actuarial reviews
- Monthly and quarterly provision calculation and reviews

The Company has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its technical provisions. There has been no unbundling of material contracts in the calculation of technical provisions. There is generally no difference when contracts are bound and incepted as contracts are recognised when paid for and accounted for based on inception dates. No risks have been transferred to special purpose vehicles.

There have been no changes in the recognition and valuation basis for technical provisions under Solvency II during the reporting period. As a result, we have not included a description of the change in technical provisions since the last reporting period.

Below is the reconciliation of technical provisions between UK GAAP accounts and Solvency II balance sheet.

	Reconciliation Per Solvency II			
	General Liability	Legal Defence	Fire & Property	Total
Technical provisions per Financial Statements	**31,228,075**	**1,353,038**	**2,111,383**	**34,692,496**
Remove UPRs	1,733,595	(793,166)	(940,429)	-
Introduce Premium Provision	(1,422,410)	650,790	948,962	177,342
"Principle of Correspondence" adjustment	378,990	42,110	-	421,100
Future Premium Provision direct debit income	(4,710,640)	(118,528)	(323,004)	(5,152,172)
Events Not In Dataset	93,750	31,250	-	125,000
Discounting	(2,707,565)	(367,480)	131,127	(2,943,918)
Best Estimate	**24,593,795**	**798,014**	**1,928,039**	**27,319,848**
Risk Margin	618,664	37,959	90,349	746,972
Technical provisions per Solvency II	**25,212,459**	**835,973**	**2,018,388**	**28,066,820**

Refer to S.17.01.01 in the Appendix for further detail on the technical provisions, including a breakdown of the gross and net technical provisions, including the risk margin line by line.

Below is the reconciliation of reinsurance recoverables between UK GAAP accounts and Solvency II balance sheet.

	Reconciliation Per Solvency II			
	General Liability	Legal Defence	Fire & Property	Total
Reinsurance recoverables per Financial Statements	**15,141,307**	**29,221**	**80,873**	**15,251,401**
Net reinsurance payables against recoverables	-	-	-	-
Remove reinsurers' share of UPRs	853,524	29,221	80,873	963,618
Introduce Premium Provision	(700,314)	(23,976)	(81,607)	(805,897)
Introduce provision for bad debt	(302,826)	(584)	(1,617)	(305,027)
Future Premium Provision direct debit income	(2,389,043)	(18,241)	(77,521)	(2,484,805)
Events Not In Dataset	56,250	18,750	-	75,000
Discounting	(1,141,838)	(38,725)	17,330	(1,163,233)
Reinsurance recoverables per Solvency II	**11,517,060**	**(4,334)**	**18,331**	**11,531,057**

Data adjustments and recommendations

Overall, we consider that the technical provisions are prepared on a suitable basis in line with the approach laid down in the legislation and the sources of interpretation we have referred to. It is expected that our approach will continue to develop and be refined in response to guidance by the Regulator and our ongoing continuous improvement reviews. There were no data deficiencies for which an adjustment was necessary. Control over data sources and the processing of that data are good. The link between our GAAP reserves and our Solvency II provisions will be understood by those undertaking the work and enables reliance to be placed on underlying accounting controls as well as those specific to the technical provision exercise. Where simplified approaches are warranted, proportional and will not lead to a material error, we have adopted such approaches.

D.3.Other liabilities

Other liabilities consist of amounts payable to insurance intermediaries, reinsurance payables (less a proportion netted off against reinsurance recoverable), trade payables and other miscellaneous liabilities. These are valued on the same basis as UK GAAP. All balances are expected to settle within six months of the year end and are subject to minimal uncertainty risk as to the timing or amounts and therefore no discounting was applied to the financial statement amount to determine the fair value for Solvency II purposes as the impact is not likely to be material.

The Company offers 'free renewals' whereby policyholders are granted a free year of insurance on qualifying (property based) policies if they make no claims for five consecutive years. The free renewal concept applies only to the property class general book of business. The expected cost of future free renewals is calculated annually and provision was made for this cost by way of a transfer to the provision for the free renewals, and a reduction in revenues. Following a review of this provision the Board has decided to release the entire provision (as a prior year adjustment) as it is not needed as it is not known until the sixth year of a qualifying policy whether a free renewal is granted.

The Company has made a provision for default arising from reinsurance recoverable in the Solvency II balance sheet. The provision is based on the total exposure to the counterparty and the rating of the counterparty. The Company has applied a weighted average probability of default to each exposure.

The Company has not taken any credit for the loss absorbing capacity of deferred taxes. This adjustment relates to the increase in the value of deferred tax assets that would occur if the Company were to make an immediate loss of an amount equal to the sum of the Basic SCR (after deduction of the adjustment for the loss-absorbing capacity of technical provisions) and the operational risk capital requirement.

D.4.Alternative methods for valuation

The Company does not use any alternative valuation methods.

D.5.Any other information

The Company does not have any operating leases and has no defined benefit staff pension scheme. There are no off-balance sheet liabilities. All material information regarding valuation for solvency purposes is disclosed above. Article 310 requires a description of the relevant assumptions about future management actions and policyholder behaviour on valuation for solvency purposes. This is not applicable to the Company.

E. Capital Management

Capital management is the collection of processes and activities undertaken to provide sufficient capital to enable the company to meet its liabilities and ultimately ensure its survival, particularly in the case of losses arising from adverse events. The Company considers items described as Own Funds in the balance sheet as being capital for the purpose of capital management.

E.1.Own Funds

It is the Company's policy to maintain sufficient own funds to cover the SCR and MCR at all times. The Risk Appetite Statement specifies a higher minimum capital requirement for the Company to maintain.

The Company's primary objectives when managing its capital position are to:

- protect its ability to continue as a going concern and thus to protect its policyholders
- comply with regulatory capital requirements
- safeguard the Company's ability to continue operating

To achieve these objectives the Company strives to maintain capital levels that are consistent with its risk appetite, corporate strategy and statutory minimum requirements at both a point in time and on a forward looking basis.

The Company's own funds as at 31 December 2024 were £20.2m and these comprised of £6.0m of permanent ordinary share capital and £14.2m of retained profit and loss reserves. These reserves have arisen from past underwriting and past investment surpluses. The company does not have preference shares or subordinated liabilities which restrict the availability of capital. There are no planned changes to the composition of own funds. Own funds are managed in order to generate income and capital growth to meet the cost of current and future liabilities. They are also managed to meet statutory solvency and internal capital requirements.

The Company's ordinary shares have full voting, dividend and capital distribution (including on wind up) rights; they do not confer any rights of redemption.

All of the Company's own funds are Tier 1 basic own funds and all are available to meet the SCR and MCR without restriction. Tier 1 capital is the best form of capital for the purposes of absorbing losses. Own funds are not redeemable and do not carry any guaranteed dividend or other return. The Company is satisfied that the following Tier 1 classification criteria are complied with:

- Subordination – Tier 1 funds rank after the claims of all policyholders, beneficiaries and non-subordinated creditors
- Loss absorbency – Tier 1 funds are immediately available to absorb losses
- Sufficient duration – Tier 1 funds are undated
- Free from incentives to redeem – Tier 1 funds are only redeemable at the option of the insurer
- No mandatory fixed charges - dividends can be cancelled
- No encumbrances – Tier 1 funds are unconnected with other transactions and no restrictions, charges or guarantees.

There are no ancillary own fund items and no deductions are required to be made from own funds. There are no significant restrictions affecting their availability and transferability.

It is the Company's intention to maintain own funds of no less than the amount per the Company's risk appetite and the capital requirement calculated under the Own Risk and Solvency Assessment (ORSA). In assessing the own funds required, the Board considers its forecasts over a five year business planning period. The ORSA exercise is undertaken at least annually, or when the risk of the Company changes.

The key difference between the Company's equity as shown in its audited financial statements and the excess of assets over liabilities as calculated for solvency purposes relates to the calculation of technical provisions and reinsurance recoverable under Solvency II as explained above.

Assets representing own funds are invested in investment funds and term deposits, with the remainder being working capital held in current asset and liabilities.

Below are the reconciliations of Equity and Net Assets between the UK GAAP balance sheet and Solvency II balance sheet.

	2024	2023
Equity in the Financial Statements	**£**	**£**
Ordinary Share Capital	6,000,000	6,000,000
Retained profit	11,342,829	8,935,940
Total	**17,342,829**	**14,935,940**
Own funds not approved under Solvency II	-	-
Recategorise retained profits in reconciliation reserve	(11,342,829)	(8,935,940)
Reconciliation Reserve	14,248,161	8,806,668
Basic Own Funds	**20,248,161**	**14,806,668**

	£
GAAP Members' Funds	**17,342,829**
Disallowance of intangible assets	-
Change in valuation of reinsurance recoverables	(3,720,346)
Total reduction in Assets	**(3,720,346)**
Change in valuation of Technical Provisions	(7,372,650)
Addition of Risk Margin	746,972
Net off reinsurance payables with reinsurance recoverab	-
Total reduction in Liabilities	**(6,625,678)**
Own funds not approved under Solvency II	-
Solvency II Members' Funds	**20,248,161**

A detailed analysis of the reconciliation reserve is provided in Section D.

The company reviews, as part of its ORSA process, the current and likely future capital position of the business and whether there is a material risk that its solvency may be threatened. In the event that the Company's projected solvency is at risk, defined as not having sufficient capital resources to cover the SCR, then the company will draw up appropriate plans to rectify that position.

E.2.Solvency Capital Requirement and Minimum Capital Requirement (SCR and MCR)

The MCR is calculated by Absolute Floor of the MCR (AMCR), which is €3.7m, and applying the year end GBP conversion rate to convert the AMCR's euro value to GBP. The conversion rate used for 31 December 2024 is specified by the PRA. The Solvency II balance sheet position of the firm along with the SCR and MCR as at 31 December 2024 is shown below:

Amounts (£)	31/12/2024	31/12/2023
Total assets	55,964,278	50,796,623
Total technical provisions	28,066,819	27,477,311
Non-insurance liabilities	7,649,299	8,512,643
Own funds not approved under Solvency II	-	-
Own funds	20,248,160	14,806,669
SCR	9,685,750	8,245,878
Capital surplus	10,562,410	6,560,791
SCR coverage ratio	209%	180%
MCR	3,028,229	3,494,640

The SCR corresponds to the value at risk of basic own funds subject to a confidence level of 99.5% over a one year time frame.

The Company uses the Standard Formula as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed as appropriate for the firm. The Company believes that the Standard Formula provides an appropriate representation of the Company's underlying risks. The Company is not aware of any material risks that are not covered by the Standard Formula.

The SCR of the Company as at 31 December 2024 was £9,686k and the solvency coverage ratio was 209% which means that the Company is well capitalised for the business it conducts. A breakdown of the SCR is shown below.

The final amount of the SCR remains subject to supervisory assessment.

The SCR of the Company is made up as follows:

Risk Component (£)	31/12/2024	31/12/2023
Market Risk		
- Interest rate risk	10,692	201,968
- Equity risk	-	-
- Spread risk	189,894	340,913
- Currency risk	-	-
- Concentration risk	2,247,609	1,036,891
- Diversification	(192,553)	(439,154)
Counterparty default risk	1,344,662	1,403,731
Non-life underwriting risk (premium and reserve risk)	7,232,785	6,242,730
Diversification	(1,966,934)	(1,346,171)
Operational risk	819,595	804,970
Total	**9,685,750**	**8,245,878**

The Company is exposed to market risk derived predominantly from the assets held by the Company to meet its insurance liabilities. A key component of market risk is equity risk which arises from the level or volatility of market prices for equities.

There are two possible methods to calculate the equity risk capital requirement: the 'standard' approach and the 'duration based' approach. The standard approach has been used. (The duration based approach is applicable largely to life insurers). For each type of equity the capital requirement is calculated by applying a downwards shock the size of which is dependent on the perceived riskiness of the equities. In addition, for the equities which are not strategic equity investments, a 'symmetric adjustment' is applied. This adjustment allows the equity shock to move within a band of 10% on either side of the equity stress. In rising markets, the adjustment will increase the capital requirement and vice versa.

The Company is exposed to counterparty risk in the form of cash deposits and recoveries from reinsurers. Within the counterparty risk module a calculation is performed for the risk mitigation effect of reinsurance. The Company has chosen the simplification calculation according to Article 107 whereby the total risk mitigation effect for all counterparties is calculated as the difference between the gross and net underwriting risk capital requirements. The Company has chosen this simplification method as the Company has always had the benefit of reinsurance.

The Company is exposed to non-life underwriting risk as a result of the insurance policies it sells. In this category the Company is only exposed to non-life premium and reserve risk which covers the risk of loss:

- Due to new premiums being written at inadequate rates
- On exposures during the year
- From inadequate claims provisions brought forward.

Points of note regarding the calculation elements of non-life underwriting risk:-

- The present value of net premiums expected to be earned after the end of the following year in respect of existing contracts is considered to be nil. Some contracts have rating guarantees beyond a single year
- The estimate of the premiums to be earned in the following twelve months is the combination of the earned part of the year end unearned premium reserve (calculated using the combined ratio) and a projection of the earned part of the next year's written premium (considered as being 50% of GWP, assuming business is written smoothly during the year)
- The capital charge relating to man-made catastrophe risk is calculated as being the reduction in basic own funds that would arise from a gross loss equal to a prescribed factor of the gross premiums in relation to the risk group to be earned in the following year. The risk mitigation here is the amount received from reinsurers should a loss of that gross magnitude occur. As the limit of reinsurance exceeds the gross earned premiums, the mitigation in the Company's instance essentially reduces the catastrophe risk charge to zero

No undertaking specific parameters have been used to calculate the SCR. A duration based equity sub module is not used in the calculation of the SCR. The SCR is calculated including a symmetric adjustment to the equity capital charge applied to cover the risk arising from the change in the level of equity prices per the EIOPA Delegated Acts. The SCR remains subject to formal supervisory assessment and includes no adjustments or capital add-on.

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

This is not applicable to the Company.

E.4.Differences between the standard formula and any internal model used

This is not applicable to the Company.

E.5.Non-Compliance with the MCR and Non-Compliance with the SCR

The Company has complied with the MCR and SCR during the reporting period and has maintained capital sufficient to meet its minimum capital requirement throughout the period covered by this report.

E.6.Any Other Information

There is no other material information to disclose regarding the capital management of NPAI

The Company has not used an internal model.

Where possible the Company has taken the advantage of the principle of proportionality. In accordance with Article 29, Member States shall ensure that the provisions of the Directive are applied in a manner that is proportionate to the nature, scale and complexity of the risks inherent in the business of an insurer.

APPENDIX 1: QUANTITATIVE REPORTING TEMPLATES

The sections to follow set out the annual QRTs for NPAI as at 31 December 2024 that we are required to disclose as part of our SFCR in line with Solvency II regulations.

We note that values are shown in thousands of pounds.

General information

Entity name	NPA Insurance Limited
Entity identification code and type of code	LEI/213800FTX9WOQ7C4OH70
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
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

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IR.02.01.02 - Balance sheet
IR.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
IR.05.04.02 - Non-life income and expenditure : reporting period
IR.17.01.02 - Non-Life Technical Provisions
IR.19.01.21 - Non-Life insurance claims
IR.23.01.01 - Own Funds
IR.25.04.21 - Solvency Capital Requirement
IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.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	33
R0070	Investments (other than assets held for index-linked and unit-linked contract	28,928
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	25,886
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	3,042
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	3,520
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	3,520
R0270	Reinsurance recoverables from:	11,531
R0280	*Non-life and health similar to non-life*	11,531
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	1,855
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	4,330
R0420	Any other assets, not elsewhere shown	5,730
R0500	**Total assets**	55,927

	Liabilities	Solvency II value
		C0010
R0505	Technical provisions - total	28,067
R0510	*Technical provisions - non-life*	28,067
R0515	*Technical provisions - life*	0
R0542	Best estimate - total	27,320
R0544	*Best estimate - non-life*	27,320
R0546	*Best estimate - life*	
R0552	Risk margin - total	747
R0554	*Risk margin - non-life*	747
R0556	*Risk margin - life*	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	40
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	45
R0830	Reinsurance payables	3,372
R0840	Payables (trade, not insurance)	1,543
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basin own*	
R0870	*Subordinated liabilities in Basin own*	0
R0880	Any other liabilities, not elsewhere shown	2,690
R0900	**Total liabilities**	35,756
R1000	**Excess of assets over liabilities**	20,171

IR.05.02.01

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	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	23,714						23,714
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	8,838						8,838
R0200	Net	14,876						14,876
	Premiums earned							
R0210	Gross - Direct Business	23,815						23,815
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	9,714						9,714
R0300	Net	14,101						14,101
	Claims incurred							
R0310	Gross - Direct Business	8,773						8,773
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	2,787						2,787
R0400	Net	5,986						5,986
R0550	**Net expenses incurred**	7,076						7,076

IR.05.04.02

Non-life income and expenditure : reporting period

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations		Non-life insurance and accepted proportional reinsurance obligations						Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
						General liability insurance				Credit and suretyship insurance	Legal expenses insurance		
				Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines	Employers Liability	Public & products Liability	Professional Indemnity	Other general liability				
		C0010	C0015	C0170	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0525	C0545
	Income												
	Premiums written												
R0110	Gross written premiums		23,714	526	1,304	1,567	0	18,645	0		1,672		
R0111	Gross written premiums - insurance (direct)		23,714	526	1,304	1,567	0	18,645	0		1,672		
R0113	Gross written premiums - accepted reinsurance		0	0	0	0	0	0	0		0		
R0160	Net written premiums		14,876	438	1,124	1,342	0	10,542	0		1,431		
	Premiums earned and provision for unearned												
R0210	Gross earned premiums		23,815	588	1,199	1,485	0	18,960	0		1,582		
R0220	Net earned premiums		14,101	415	1,066	1,272	0	9,993	0		1,356		
	Expenditure												
	Claims incurred												
R0610	Gross (undiscounted) claims incurred		8,773	134	726	713	0	6,825	0		374		
R0611	Gross (undiscounted) direct business		8,486	134	726	713	0	6,539	0		374		
R0612	Gross (undiscounted) reinsurance accepted		0	0	0	0	0	0	0		0		
R0690	Net (undiscounted) claims incurred		5,487	134	726	713	0	3,540	0		374		
R0730	Net (discounted) claims incurred	5,129	5,129										
	Analysis of expenses incurred												
R0910	Technical expenses incurred net of reinsurance ceded	7,363											
R0985	Acquisition costs, commissions, claims management costs	712	0	0	0	0	0	0	0		0		
	Other expenditure												
R1140	Other expenses	0											
R1310	**Total expenditure**	12,415											

IR.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance				Total Non-Life obligation
		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	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	Best estimate											
	Premium provisions											
R0060	Gross	808	4,607		277							5,692
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	3	631		1							635
R0150	**Net Best Estimate of Premium Provisions**	805	3,976		276							5,057
	Claims provisions											
R0160	Gross	1,120	19,987		521							21,628
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	15	10,886		-6							10,896
R0250	**Net Best Estimate of Claims Provisions**	1,105	9,100		526							10,732
R0260	**Total best estimate - gross**	1,928	24,594		798							27,320
R0270	**Total best estimate - net**	1,910	13,077		802							15,789
R0280	**Risk margin**	90	619		38							747
R0320	**Technical provisions - total**	2,018	25,212		836							28,067
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	18	11,517		-4							11,531
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	2,000	13,695		840							16,536

IR.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											42	42	42
R0160	-9	357	537	521	495	157	75	81	206	0	134		134	2,564
R0170	-8	408	694	430	383	172	160	59	54	1			1	2,361
R0180	-7	382	675	423	177	337	119	196	101				101	2,410
R0190	-6	353	755	169	287	158	232	655					655	2,609
R0200	-5	240	516	568	438	404	348						348	2,514
R0210	-4	395	911	247	383	122							122	2,057
R0220	-3	966	1,553	783	387								387	3,689
R0230	-2	964	1,358	1,118									1,118	3,439
R0240	-1	1,382	1,533										1,533	2,915
R0250	0	2,398											2,398	2,398
R0260												Total	6,838	26,998

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											358	343
R0160	-9	1,669	2,312	2,154	1,031	722	820	622	270	210	36		35
R0170	-8	1,912	2,385	1,580	785	528	288	109	0	0			0
R0180	-7	1,533	2,014	1,517	1,524	910	518	362	129				124
R0190	-6	1,577	1,832	1,337	1,031	727	808	624					599
R0200	-5	2,066	2,724	1,761	1,434	1,788	906						870
R0210	-4	2,702	2,561	1,872	3,516	3,006							2,886
R0220	-3	4,070	3,409	4,456	3,341								3,206
R0230	-2	3,673	4,775	3,380									3,240
R0240	-1	5,079	4,676										4,485
R0250	0	6,617											5,840
R0260												Total	21,628

IR.19.01.21.22
Gross premium

		C0570	C0580
		Gross earned premium at reporting reference date	Estimate of future gross earned premium
R0160	N-9	0	0
R0170	N-8	6,456	0
R0180	N-7	6,711	0
R0190	N-6	6,494	0
R0200	N-5	6,556	0
R0210	N-4	8,746	0
R0220	N-3	10,741	0
R0230	N-2	16,220	0
R0240	N-1	22,740	0
R0250	N	23,815	0

IR.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)	6,000	6,000		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	14,248	14,248			
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				
R0290	**Total basic own funds after deductions**	20,248	20,248	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	20,248	20,248	0	0	0
R0510	Total available own funds to meet the MCR	20,248	20,248	0	0	
R0540	Total eligible own funds to meet the SCR	20,248	20,248	0	0	0
R0550	Total eligible own funds to meet the MCR	20,248	20,248	0	0	
R0580	**SCR**	9,686				
R0600	**MCR**	3,500				
R0620	**Ratio of Eligible own funds to SCR**	209.05%				
R0640	**Ratio of Eligible own funds to MCR**	578.52%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	20,248
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	6,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	14,248

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	11
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	190
R0110	Concentration risk	2,248
R0120	Currency risk	0
R0125	Other market risk	
R0130	Diversification within market risk	-193
R0140	**Total Market risk**	2,256
	Counterparty default risk	
R0150	Type 1 exposures	898
R0160	Type 2 exposures	533
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-86
R0180	**Total Counterparty default risk**	1,345
	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	**Total Life underwriting risk**	0
	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	**Total Health underwriting risk**	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	6,867
R0340	Non-life catastrophe risk	1,131
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-765
R0370	**Non-life underwriting risk**	7,233
R0400	**Intangible asset risk**	
	Operational and other risks	
R0422	Operational risk	820
R0424	Other risks	
R0430	**Total Operational and other risks**	820
R0432	**Total before all diversification**	12,696
R0434	Total before diversification between risk modules	11,653
R0436	Diversification between risk modules	-1,967
R0438	**Total after diversification**	9,686
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	**Solvency capital requirement including undisclosed capital add-on**	9,686
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	9,686
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.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	3,028

		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	0	
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	1,910	1,562
R0090	General liability insurance and proportional reinsurance	13,077	9,157
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	802	1,431
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	3,028
R0310	SCR	9,686
R0320	MCR cap	4,359
R0330	MCR floor	2,421
R0340	Combined MCR	3,028
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	3,500