Report of the independent approved auditor to the Directors of Bastion Insurance Company Limited ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Our opinion

We have audited the following documents prepared by the Company as at 31 March 2023, which we have initialed for identification purposes only:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report ("SFCR") of the Company as at 31 March 2023 ("the narrative disclosures subject to the audit"); and
- S.02.01.02, rows R0260 to R0340 of S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 as at 31 March 2023 ("the templates subject to the audit").

The narrative disclosures subject to the audit and the templates subject to the audit are hereafter defined as the "relevant elements of the SFCR".

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 March 2023 is prepared, in all material respects, in accordance with the Insurance Business Act (Cap. 403), regulations and Insurance Rules issued thereunder, the Commission Delegated Regulation and the European Commission Implementing Regulation (EU) 2015/2452 (hereafter referred to as "the relevant legislation").

Scope exclusion

The relevant legislation does not require us to read or audit, nor have we read or audited, and as a consequence do not express any opinion on the other elements of the SFCR which comprises:

- The 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S.05.01.02 and S.19.01.21

To the extent the information subject to audit in the relevant elements of the SFCR includes amounts that are totals, sub-totals or calculations derived from the other elements of the SFCR , we have relied without verification on the other elements of the SFCR.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the SFCR* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the relevant elements of the SFCR in Malta, and we have fulfilled our other ethical responsibilities in accordance with these codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report of the independent approved auditor to the Directors of Bastion Insurance Company Limited ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' of the SFCR, which describe the basis of accounting. The SFCR is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the relevant elements of the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. We understand that our report will be made available to the MFSA in support of your obligation under the relevant legislation in respect of your business for the year ended 31 March 2023. Our report is solely for this purpose and for your information and is not to be used for any other purpose or to be copied or distributed or otherwise made available, in whole or in part, to any other parties. This report will not form part of the public disclosure of the SFCR. We do not accept any liability or responsibility to any third party to whom our report is shown or into whose hands it may come. We hereby give you permission to provide this letter to the MFSA but assume no liability or responsibility towards them in this respect.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the relevant legislation.

In accordance with section 8.9 of Chapter 8 of the Insurance Rules, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the SFCR and for the approval of the SFCR.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the relevant legislation as applicable to the Company. All Directors are required to sign a Declaration Form, in accordance with section 8.6.2 of Chapter 8 of the Insurance Rules and Annex IV to the said Chapter, for submission with the SFCR to the competent authority.

In preparing the SFCR, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

Our responsibility as approved auditors is to form an independent opinion as to whether the relevant information and relevant elements of the SFCR are prepared, in all material respects, in accordance with the relevant legislation on which they are based.

Report of the independent approved auditor to the Directors of Bastion Insurance Company Limited ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Our objectives are to obtain reasonable assurance about whether the relevant information and relevant elements of the SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the relevant information and relevant elements of the SFCR.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant elements of the SFCR whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the relevant elements of the SFCR, including the disclosures, and whether the relevant elements of the SFCR represent the underlying transactions and events in a manner that achieves fair presentation.

Report of the independent approved auditor to the Directors of Bastion Insurance Company Limited ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Christopher Cardona

78 Mill Street, Zone 5
Central Business District,
Qormi, CBD 5090, Malta

18 July 2023

Solvency and Financial Condition Report
31st March 2023

BASTION

INSURANCE

Contents

Executive Summary

Bastion Insurance Company Limited (“hereinafter, "BICL" or the "Company”) was authorized in Malta in 2005, and it was one of the first companies to be registered in Malta writing business in the United Kingdom.

Due to a change in the reporting period in 2021/2022, PY reporting was that of 15 months January 2021 till March 2022. This report will now cover a 12-month reporting period between March 2022 and March 2023.

In this last reporting period, Bastion entered into one new agency agreement. This covers HFR Warranties under Class 9 of Insurance and is 100% retained by bastion.

The total assets of the Company as at 31st March 2023 amounted to £41.74M (March 2022: £36.94M), whilst the Solvency Capital Requirement (“SCR”) cover ratio as at 31st March 2023 was of 126% (March 2022: 124%) and the Minimum Capital Requirement (“MCR”) cover ratio was of 469% (March 2022: 473%).

The Company is adequately capitalised with Eligible Own Funds covering the SCR amounted to £16.46M (March 2022: £14.8M).

Brexit

It is the intention of the Company to retain its UK-based book of business and, in order to do so, recourse would be made to the establishment of a presence in the UK, which is considered to be a "third country" after the end of the Brexit ‘transition period’. It is understood that this will only be possible via the establishment of a (i) branch or (ii) subsidiary in the UK. In order to take advantage of the Temporary Permissions Regime (TPR), on the 14th January 2019, Bastion notified the Prudential Regulation Authority (PRA), in accordance with the direction made by the PRA under regulation 14(2) of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 (the “TPR Regulations”), that it wishes to be treated in accordance with regulation 8 of the TPR Regulations. The PRA issued confirmation of entry of Bastion to the TPR.

In addition, during the year 2021 the Company submitted a full Part 4A application within the TPR period to establish a UK Branch office for Bastion so that Bastion can conduct insurance business in the UK at the end of the TPR. During 2022/23, the PRA followed up on the application, with some queries and documentation requests, which were provided by Bastion accordingly. As at reporting date, the Company is still waiting for the branch authorisation.

A. Business and performance

A.1 Business

This report relates to Bastion Insurance Company Ltd., a private limited liability company incorporated in Malta on the 14th December 2005 with Company Registration Number C 37545.

The Company does not form part of an insurance group and it is treated as a solo legal entity for Solvency II reporting purposes. Therefore, insurance group supervision is not applicable. BICL is regulated by the Malta Financial Services Authority (MFSA):

Malta Financial Services Authority
Triq l-Imdina, Zone 1
Central Business District,
Birkirkara. CBD 1010,
Malta Tel: [356] 2144 1155
www.mfsa.com.mt

The external auditors for BICL are Pricewaterhouse Coopers.

Pricewaterhouse Coopers
78 Mill Street
Qormi. QRM3101
Malta

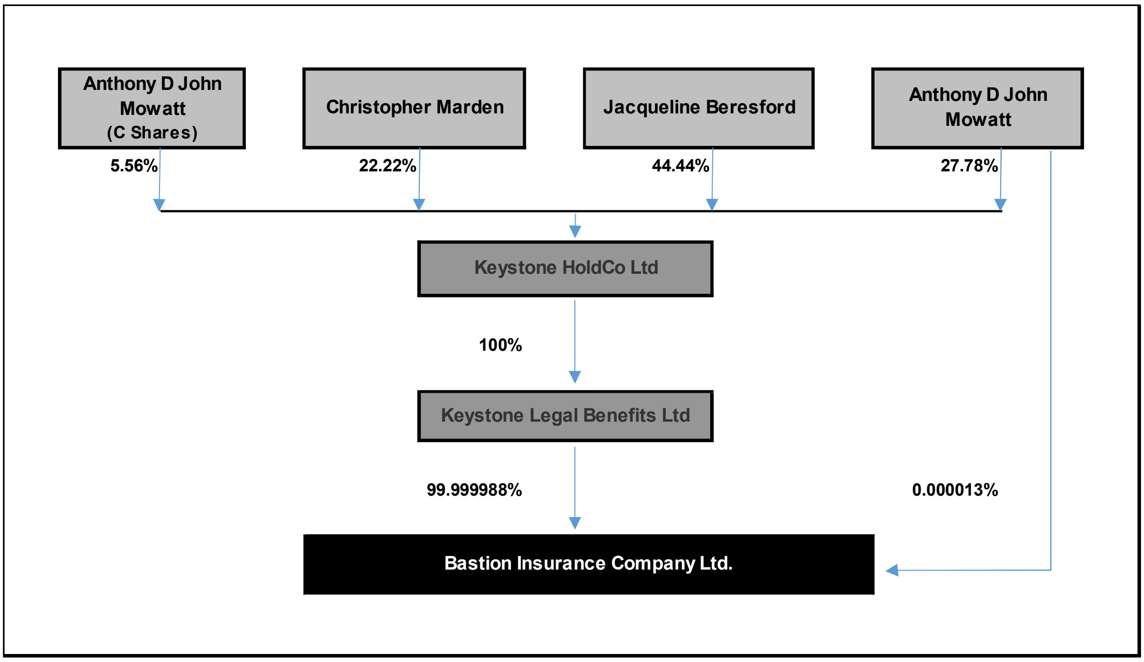
Telephone: [356] 21 247000
Fax: [356] 21 244768
Email: info@mt.pwc.com

BICL is owned by Keystone Legal Benefits Limited, which is registered in the U.K. with company number 02307623. The Ultimate Beneficial Owner of BICL is Keystone HoldCo Ltd, which owns Keystone Legal Benefits Ltd.

The share capital of BICL is made up of GBP 8,000,000 in paid-up shares. The Board of directors of Bastion have resolved subject to the Authority's approval to inject an additional capital contribution which is agreed that it is not a loan but an unconditional transfer of funds, whereby the Company shall have no obligation to repay the contribution including in the event of a winding-up of the Company, nor shall KLB offer any incentive for repayment. The contribution is not being made in consideration of the grant of any rights or entitlements whatsoever, including any voting rights, profit participation rights or rights to participate in the distribution of the surplus assets of the Company.

During this financial period the Company's shareholders invested an additional £756,648 (March 2022: £1,000,000) as capital contribution in the Company.

The shareholding structure is as follows:



As at 31 March 2023, BICL was authorized to underwrite the following Classes of Business:

- Class 3 – Land Vehicles
- Class 8 – Fire and Natural Forces
- Class 9 – Other Damage to Property
- Class 13 – General Liability
- Class 16 – Miscellaneous Financial Loss
- Class 17 – Legal Expenses
- Class 18 – Assistance

In addition, as at 31 March 2023, BICL holds passporting rights to carry on cross border business in the following countries:

- United Kingdom – Classes 9, 16, 17, 18 (by way of UK Post BREXIT Temporary Permissions Regime)
- Ireland – Classes 3, 8, 9, 13, 16, 17, 18
- France – Classes 8, 9, 13, 16
- Germany – Classes 8, 9, 13, 16
- Netherlands – Classes 8, 9, 13, 16
- Croatia – Classes 8, 9, 13, 16
- Hungary – Classes 8, 9, 13, 16
- Luxembourg – Classes 8, 9, 13, 16
- Slovakia – Classes 8, 9, 13, 16
- Belgium – Class 16
- Poland: Class 16
- Spain: Class 16
- Norway: Class 8, 9, 13, 17

A.2 Underwriting Performance

Core insurance business

In 2022- 2023, BICL continued to write legal expenses insurance (referred to as the 'Core insurance business') in the United Kingdom.

Whilst acknowledging that uncertainties still surround the new legal environment, the directors feel that the 'post-LASPO' regime has meant that a change of emphasis is required going forward, where this emphasis will be 'self-generated' policies at the agent level, i.e. the agent offering the company's products to the customer directly as opposed to the present reliance on sourcing business through firms of solicitors. As a result, the directors are of the view that the pipeline of profitable new business whether reduced in volume, substantial or otherwise can be secured. The impact of LASPO is affecting introducers of work (i.e., firms of solicitors) making the need to 'self-generate' more relevant than in previous years.

Other General Insurance Business

The Company's main objective in previous years was to underwrite ATE legal expenses insurance.

During 2018, the Company's Board of Directors diversified its portfolio of insurance cover. In the same year, the Company was granted an extension of its authorisation to carry on business of insurance in relation to Class 9 (Other Property Damage) and Class 18 (Assistance). In 2018, the Company concluded two agreements with two agents, through Keystone Legal Benefits, as well as another agency agreement independent of Keystone Legal Benefits. During 2019, the Company continued to explore prospects for European markets and in fact was granted an extension of its authorisation to carry on business of insurance in relation to Class 8 (Property Damage) and Class 13 (General Liability). To this effect, the Company provided direct cover outside Keystone Legal Benefits or other agreements that it had in place in the previous year. At the same time, the Company continued to widen its warranty business by concluding three agreements with four sub-agents, through Keystone Legal Benefits. Early in 2020, the Company finalised nine agency agreements outside of Keystone Legal Benefits, covering GAP, excess protection, motor warranty and rent guarantee business, all of which fall under Class 16 (Miscellaneous Financial Loss), in various European markets. During 2020, the Company also entered into one additional sub-agency agreement in the UK covering key insurance cover. In 2021, the Company entered into three further agencies agreements, whilst during the reporting period between March 2022 and March 2023, Bastion entered into one new agency agreement that covers HFR Warranties under Class 9 of Insurance and is 100% retained by Bastion.

Below are the underwriting results for year ending March 2023 and March 2022.

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal Expenses Insurance	Assistance	Miscellaneous financial loss	
Written Premium								
Gross – Direct Business	R0110	260	6,555	0.3	1,801	658	35,627	44,900
Reinsurers' share	R0120	0	5,908	0.2	317	592	22,936	29,752
Net	R0200	260	647	0.1	1,484	66	12,691	15,148
Earned Premium								
Gross – Direct Business	R0210	99	6,109	0.9	1,796	700	32,000	40,705
Reinsurers' share	R0220	0	5,770	0.6	315	630	21,226	27,942
Net	R0230	99	338	0.3	1,481	70	10,774	12,763
Claims Incurred								
Gross – Direct Business	R0310	65	4,983	0	363	160	25,586	31,157
Reinsurers' share	R0320	0	4,798	0	-11	144	19,980	24,911
Net	R0330	65	185	0	374	16	5,606	6,246
Administrative Expenses	R0700							
Investment management expenses	R0800							
Claims management expenses	R0900	0	0	0	18	0	215	233
Acquisition expenses								
Gross – Direct Business	R0910	71	1,082	0	910	105	5,049	7,217
Gross – Proportional reinsurance accepted	R0920	0	-1,283	0	-107	-210	-2,063	-3,663
Net Acquisition expenses	R0930	71	2,364	0	1,017	315	7,112	10,880
Overhead expenses	R1100							
Other expenses	R1200							
Total expenses	R1300	71	2,364	0	1,035	315	7,327	11,113

Source: Template S.05.01.01 - Data in thousands of GBP as at March 2023

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal Expenses Insurance	Assistance	Miscellaneous financial loss	
Written Premium								
Gross – Direct Business	R0110	*196*	*6,161*	*3*	*1,630*	*880*	*32,993*	41,863
Reinsurers' share	R0120	*0*	*5,794*	*2*	*256*	*792*	*19,336*	26,180
Net	R0200	*196*	*367*	*1*	*1,374*	*88*	*13,657*	15,683
Earned Premium								
Gross – Direct Business	R0210	*24*	*4,559*	*2*	*1,631*	*867*	*26,550*	33,633
Reinsurers' share	R0220	*0*	*4,358*	*1*	*258*	*780*	*16,515*	21,912
Net	R0230	*24*	*201*	*1*	*1,374*	*87*	*10,035*	11,721
Claims Incurred								
Gross – Direct Business	R0310	*16*	*625*	*1*	*-93*	*337*	*14,092*	14,978
Reinsurers' share	R0320	*0*	*577*	*0*	*-19*	*304*	*10,288*	11,150
Net	R0330	*16*	*48*	*0*	*-73*	*34*	*3,804*	3,828
Administrative Expenses	R0700							
Investment management expenses	R0800							
Claims management expenses	R0900	*0*	*0*	*0*	*-5*	*0*	*182*	177
Acquisition expenses								
Gross – Direct Business	R0910	*17*	*630*	*1*	*660*	*130*	*4,765*	6,203
Gross – Proportional reinsurance accepted	R0920	*0*	*794*	*0*	*73*	*260*	*1,383*	2,511
Net Acquisition expenses	R0930	*17*	*-164*	*0*	*586*	*-130*	*3,382*	3,692
Overhead expenses	R1100							
Other expenses	R1200							
Total expenses	R1300	*17*	*-164*	*0*	*581*	*-130*	*3,564*	3,869

Source: Template S.05.01.01 - Data in thousands of GBP as at March 2022

BICL closed the financial year with gross premiums totaling £44.90M (March 2022: £41.86M). A profit on the technical account of £3.43M (March 2022: £3.84M) was registered. The main reason for this positive result was due to an increase in business generated from other general insurance business as compared to 2021-2022, including the introduction of a new agency agreement during the year. The cumulative combined ratio for 2022-2023 for all classes of insurance was 95% (March 2022: 64%). Business emanates from different locations, ranging from the United Kingdom, and across Europe.

Below is a summary analysis of the results for March 2022 as compared to the results of March 2023, also reflecting the adjustment in reserves:

	Mar-22 to Mar-23	Jan-21 to Mar-22	Difference	
	£'000	£'000	£'000	%
Gross Premium Earned	**40,705**	**33,633**	**7,072**	**21%**
Earned Reinsurance Premium Ceded	**-27,942**	**-21,912**	**-6,030**	**28%**
% of premium earned	*69%*	*65%*		
Net Acquisition costs	**-3,020**	**-3,692**	**672**	**-18%**
% of premium earned	*24%*	*31%*		
Gross Claims Incurred	**-31,390**	**-15,155**	**-16,234**	**107%**
Loss ratio (gross)	*77%*	*45%*		
Reinsurance Share of Claims Incurred	**24,911**	**11,150**	**13,761**	**730%**
% Share of Gross Claims Incurred	*-79%*	*-74%*		
Net Underwriting result	**3,265**	**4,024**	**-759**	**-19%**
% of premium earned	*8%*	*11.96%*		

A.3 Investment performance

A.3.1 Information on income and expenses arising from investments by asset class

The below table provides information on income and expenses arising from investments by asset class:

Total income from investments	Income from investments from:		Income from investments from:	
	Operation	Equity	Operation	Equity
	Mar-22 to Mar-23	Mar-22 to Mar-23	1st Jan 2021 to 31st Mar 2022	1st Jan 2021 to 31st Mar 2022
Items				
INCOME FROM INTEREST, DIVIDENDS, AND OTHER				
Bank interest and other receivable	306	NIL	5	NIL
Dividends from Equity	5	NIL	13	NIL
Income from held-to-maturity investments				
Fixed-income securities	26	NIL	185	NIL
TOTAL REVENUE	**337**	NIL	**203**	NIL
REALIZED AND UNREALIZED GAINS				
Net realized gains on disposal of Held-to-Maturity Fixed Income Securities	-478	NIL	51	NIL
Total realized gains	-478	NIL	51	NIL
Increase in fair value of the Available-for-sale Fixed Income Securities through Profit and Loss	303	NIL	-484	NIL
Difference on Exchange	NIL	NIL	NIL	NIL
Total unrealized gains	303	NIL	-484	NIL
TOTAL realized and unrealized Gains	-176	NIL	-433	NIL
TOTAL INCOME FROM INVESTMENTS	**161**	**NIL**	**-230**	**NIL**

Data in thousands of GBP

Investment expenses	Income from investments from:		Income from investments from:	
	Operation	Equity	Operation	Equity
	Mar-22 to Mar-23	Mar-22 to Mar-23	1st Jan 2021 to 31st Mar 2022	1st Jan 2021 to 31st Mar 2022
Expenses from held-to-maturity portfolio				
Fixed-income securities	0.2	NIL	0.76	NIL
TOTAL EXPENSES	0.2	NIL	0.76	NIL
REALIZED AND UNREALIZED GAINS				
Net realized gains on disposal of Held-to-Maturity Fixed Income Securities	NIL	NIL	NIL	NIL
Net realized losses	NIL	NIL	NIL	NIL
Decrease in fair value of the Available-for-sale Fixed Income Securities through Profit and Loss	NIL	NIL	NIL	NIL
Difference on Exchange	-97.709	NIL	76	NIL
Net unrealized losses	-98	NIL	76	NIL
TOTAL EXPENSES ARISING FROM INVESTMENTS	**-97.510**	**NIL**	**77**	**NIL**

Data in thousands of GBP

The investments during year-end March 2023 amounted to a gain of GBP 161,083 (March 2022: loss of GBP 229,892), whilst total expenses arising out of Investments totaled GBP -97,510 (March 2022: GBP 77,123). These included exchange amounting to GBP -97,709 (March 2022: GBP 76,363) which is related to the unrealized foreign exchange differences.

The overall performance of investments throughout was a total return of a positive GBP 258,593 (March 2022: negative return of GBP 307,015). Investments with the highest performance corresponded to Bank interest and other receivable.

A.3.2 Information about any gains and losses recognized directly in equity

There is no income or expense arising from investments that are recognized directly into equity.

A.3.3 Information about assets securitization

Not applicable to BICL.

A.4 Performance of other activities

A.4.1 Other income and expenses

BICL has no other income and expenses related to investments.

A.4.2 Lease contracts

Not applicable to BICL

A.5 Any other information

Military conflict in Ukraine

During the Financial Year End 31 March 2022, the investment portfolio valuation compared with December 2020, has suffered a loss of 10% on debt securities and 4% loss on equities. The military conflict in Ukraine which started in March 2022 together with inflationary pressures continued to create economic uncertainty which affected the investments. As a result, on 31 March 2022, the Board of Directors decided to liquidate 98% of its debt securities and equity investment portfolio.

Following the liquidation of the Debt and Equity Investments portfolio, the Company has reinvested its proceeds, into short-term deposits held with NatWest and Barclays. This had a positive impact on the Net Investment return amounting to £258,593 (March 2022: -£307,015), with the main increase resulting from bank interest income on short-term deposits.

To date, there had been no impact on the liquidity position of the Company, and it did not encounter any difficulties in recovering outstanding debts from any of its operating agencies in relation to the military conflict in Ukraine.

B. System of Governance

B.1 General Information on the system of governance

The Board of Directors is ultimately responsible for the Governance aspect of the Company. The Board meets at least on a quarterly basis.

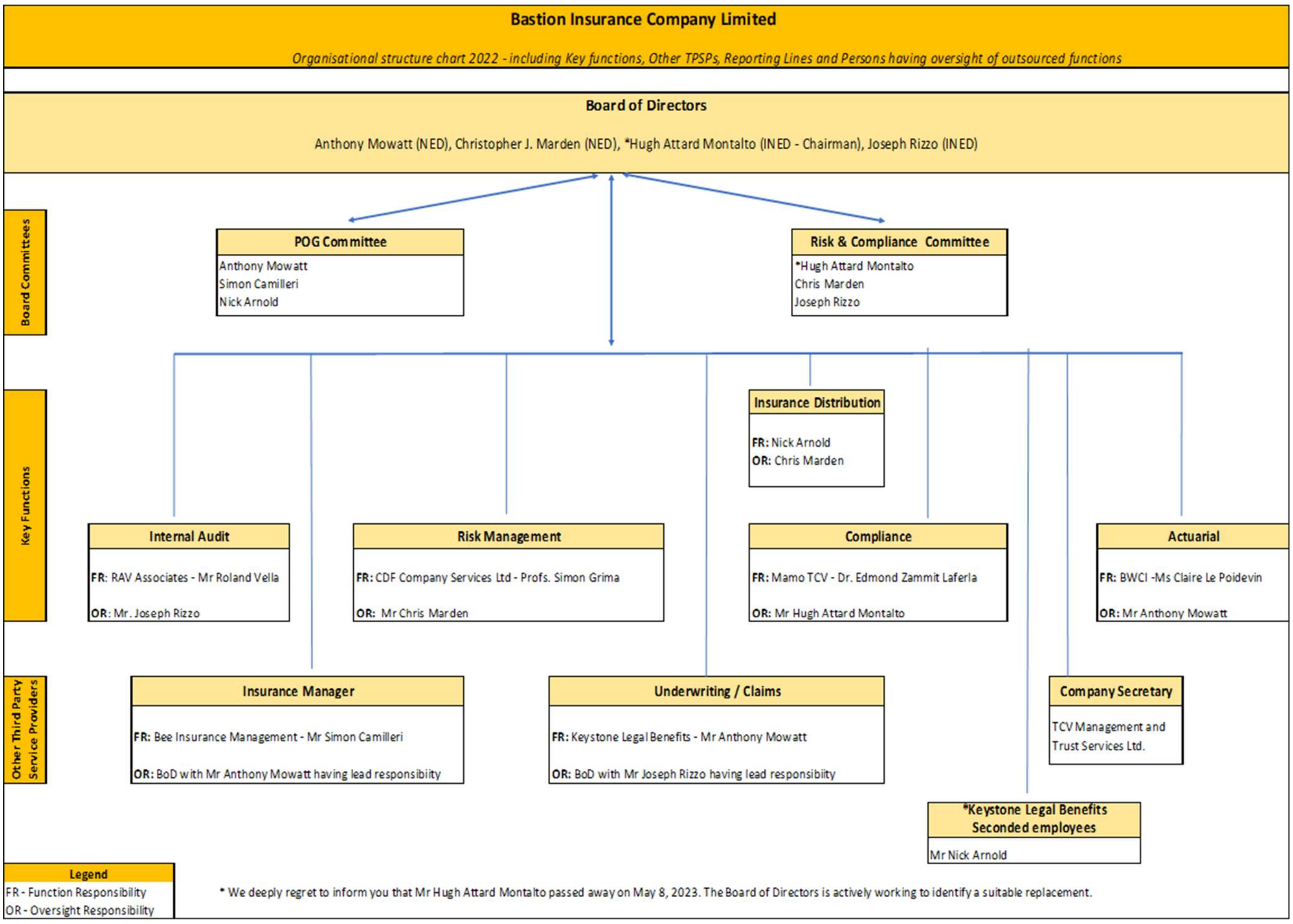
The Board of Directors role and responsibility is to provide the necessary leadership, to set strategy and to have a good oversight of the Company. The Board, which regularly reviews and evaluates BICL's strategy, operational units, and financial planning, also monitors the Company's performance against the budget and previous performance, within the set codes of best business practice, laws and regulations and Solvency II Directive. The Board also has the ultimate responsibility for the oversight of the Company's risk management. The Board establishes the framework for the RMF through the setting of the risk appetite and risk management philosophy.

The Board is also responsible to oversee the quality and integrity of BICL's financial statements and report, the effectiveness of the Company's internal control, risk management systems, auditing the annual accounts and compliance with legal and regulatory requirements. The Board is also responsible for monitoring the performance and independence of the external auditor. In conducting its responsibilities, the Board reviews the Risk Management and compliance reports, and shall discuss any items that have significant compliance issues, financial statements impact or require significant financial statement or regulatory disclosures.

The Board of Directors is made up of four members including Chairman. The Board of Directors is composed of the following members:

1. Hugh Attard Montalto (Chairman)*
2. Anthony Mowatt
3. Christopher J Marden
4. Joseph Rizzo

** Mr. Hugh Attard Montalto passed away on May 8, 2023. The Board of Directors is actively working to identify a suitable replacement.*


Bastion Insurance Company Limited
Organisational structure chart 2022 - including Key functions, Other TPSPs, Reporting Lines and Persons having oversight of outsourced functions
Board of Directors
Anthony Mowatt (NED), Christopher J. Marden (NED), *Hugh Attard Montalto (INED - Chairman), Joseph Rizzo (INED)
Board Committees
POG Committee
Anthony Mowatt
Simon Camilleri
Nick Arnold
Risk & Compliance Committee
*Hugh Attard Montalto
Chris Marden
Joseph Rizzo
Key Functions
Insurance Distribution
FR: Nick Arnold
OR: Chris Marden
Internal Audit
FR: RAV Associates - Mr Roland Vella
OR: Mr. Joseph Rizzo
Risk Management
FR: CDF Company Services Ltd - Profs. Simon Grima
OR: Mr Chris Marden
Compliance
FR: Mamo TCV - Dr. Edmond Zammit Laferla
OR: Mr Hugh Attard Montalto
Actuarial
FR: BWCI -Ms Claire Le Poidevin
OR: Mr Anthony Mowatt
Other Third Party Service Providers
Insurance Manager
FR: Bee Insurance Management - Mr Simon Camilleri
OR: BoD with Mr Anthony Mowatt having lead responsibility
Underwriting / Claims
FR: Keystone Legal Benefits - Mr Anthony Mowatt
OR: BoD with Mr Joseph Rizzo having lead responsibility
Company Secretary
TCV Management and Trust Services Ltd.
*Keystone Legal Benefits Seconded employees
Mr Nick Arnold
Legend
FR - Function Responsibility
OR - Oversight Responsibility
* We deeply regret to inform you that Mr Hugh Attard Montalto passed away on May 8, 2023. The Board of Directors is actively working to identify a suitable replacement.

B.1.3 Key Functions

BICL has appointed third party service providers, including a licensed insurance manager, who possess specialised skills, processes, and systems to undertake specific key functions of the company. The Board exercises ongoing oversight on all outsourced functions. Each key function has designated clear reporting lines to the Director responsible for oversight of the performance of the outsourced key function.

BICL has identified the following key functions:

- **Insurance Management Services**

The management of the Company is outsourced to a licensed insurance manager, Bee Insurance Management Limited ("BEE"). The insurance manager is responsible for**:**

- Provision of management services to the Company;
- Maintenance of an adequately staffed office in Malta to enable the provision of all the services provided;
- Establishment of accounting, underwriting, reinsurance, claims and other records as required under the relevant laws and regulations;
- Preparation of financial, statutory and regulatory reporting;
- Supervision of all finance and administrative functions together with annual costs involved in monitoring the development of the Company's activities;

- **Risk Management Function**

The role and responsibilities of the Risk Management function are to:

- Assist the Board and senior management in carrying out their respective responsibilities, by performing reviews of the Company's Risk Management System and advising on possible improvements;
- Assist in the identification of the risks to which the Company is exposed ;
- Assess, aggregate, monitor and help management mitigate identified risks;
- Gain and maintain an aggregated view of the risk profile of the Company;
- Evaluate the internal and external risk environment on an on-going basis;
- Consider risks from remuneration arrangements and incentive structures;
- Conduct stress testing and scenario analysis in liaison with the Actuarial and Accounting functions within the Company;
- Report to senior management, key persons in control functions and to the Board on the Company's risk;
- Document material changes to the Company's Risk Management Systems and report them to the Board;
- Assist in the identification and assessment of emerging risks;
- Facilitate the performance of the Own Risk and Solvency Assessment ('ORSA') and report findings to the Board, thus the latter can apply the said results in defining the business strategy of the Company.

The Risk Management function reports to the Board of Directors.

- **Finance Function**

The role and responsibilities of the finance function are to:

- Prepare quarterly management, annual statutory financial accounts and periodic regulatory returns to the MFSA in accordance with the International Financial Reporting Standards, the Companies Act (Cap. 386) and the Insurance Business Act (Cap. 403);

- Liaise with external auditors of the Company in respect of annual audit and the finalisation of statutory annual accounts;

- Prepare on behalf of the Company a draft annual business of insurance statement in terms of applicable insurance laws together with any relevant certifications, declarations, statements and notes, and submit to the Board and the external auditor of the Company;

- Co-ordinate with the Company's tax advisors in relation to the preparation and filing of tax returns.

The finance function reports to the Board of Directors. In addition, the Board receives quarterly reporting at each Board meeting on the financial performance of the Company.

- **Compliance Function**

The Compliance Officer reports to the Board of Directors and presents quarterly compliance updates at each meeting and an annual compliance report in accordance with regulatory requirements.

The role and responsibilities of the compliance function include:

- Advising the Board on compliance with the regulatory requirements of the MFSA in relation to the insurance activities of the Company;
- An assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk.
- Compliance and cooperation with the request for collection of data for the implementation of the ORSA and preparation of the ORSA report
- Participation in the risk assessment exercise and support to the Risk Manager.
- Presents a yearly Compliance Plan to the Board of Directors

- **Actuarial Function**

The Actuarial Function reports to the Board of Directors.

The role and responsibilities of the Actuarial Function include the:

- The Calculation of an estimate of liabilities;
- The Calculation of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR)
- Advice in respect of premium rates;
- Assistance in the determination of technical provisions and risk margins;
- Review of the policies established for underwriting and reinsurance;
- Assistance in the preparation of the ORSA;
- Reporting to the Board on the reliability and adequacy of reserves;
- Advice on other aspects of the management of an insurance Company.

- **Internal Audit Function**

The role and responsibilities of the Internal Audit Function are to:

- Develop an Internal Audit Plan for each calendar year and perform audits in accordance with the Internal Audit Plan;
- Document in accordance with international auditing standards all work conducted;
- Document and report to the Board all findings of each internal audit, providing an analysis, appraisal and recommendations for improvement in the activities reviewed;
- Follow up to verify implementation of corrective measures pointed out in the report to the Board.

The Internal Audit Function reports to the Board of Directors

- **Investment Management**

The investment management function is responsible for the management of the investment portfolio of the Company within parameters established by the Investment Committee. The function reports on a quarterly basis to the Board of Directors.

All key functions have the necessary authority, resources and operational independence to carry out their task. Each key function holder is aware of the roles and responsibilities of the respective function and the tasks that need to be carried out.

B.1.4 Material Changes

No material Changes.

B.1.5 Remuneration and Practices

The Directors of the Company are remunerated by a fixed annual fee and are not entitled to any variable remuneration component. Similarly, all third-party service providers receive a fixed fee for their services in accordance with their respective formal written agreement.

Notwithstanding the above, the Company has established a remuneration policy, which is aligned to the regulatory requirements.

B.1.6 Material Transactions

During this financial period the Company's shareholders invested an additional £756,648 (March 22: £1,000,000) as capital contribution in the Company.

During the period from April 2022 to March 2023, an interim dividend of £1,616,648 was declared and paid (March 22: £0). The directors do not expect to propose any further dividend to the date of these financial statements.

B.2 Fit and Proper Requirements

BICL has adopted a Fit and Proper Policy, setting out the requirements and assessments that must be possessed and performed, relating to persons who effectively run the undertaking or have other key functions.

B.2.1 Requirements

In deciding whether a person is 'fit and proper', the Company should be satisfied that persons who effectively run the undertaking (the Board of Directors) or have key functions:

- Have the personal characteristics, including that of being of good repute and integrity (proper);
- Have the professional qualifications, and possess the adequate level of competence, knowledge and experience (fit);
- Are not disqualified under the Insurance Business Act or the Companies Act or under any other applicable law in Malta from holding the particular position;
- Do not have a conflict of interest in performing their duties, or if there is a conflict of interest, the undertaking concludes that the conflict will not create a material risk which may result in the person failing to perform the duties of the position in an appropriate manner.

This enables such persons to carry out their duties and roles effectively and enables sound and prudent management of the undertaking. Fit and proper procedures are also applied to persons employed by service providers who are identified as being responsible for an outsourced key function of the Company.

On an on-going basis, and at least annually, individuals which fall within the scope of the fit and proper requirement are required to self-certify their continuing fitness and propriety.

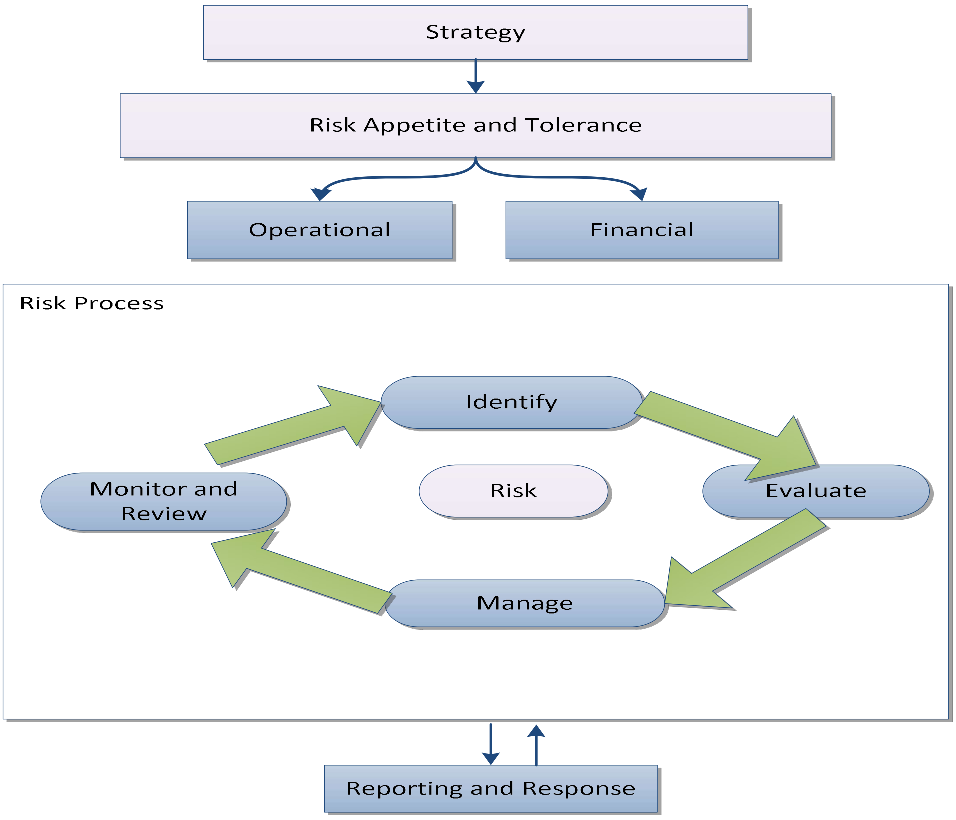
B.3 Risk Management System including the Own Risk and Solvency Assessment ("ORSA")

B.3.1 Risk Management System

BICL's Risk Management System Framework has been set with the aim to:

- Further embed risk management within BICL as a valuable and positive business management tool;
- Enhance BICL's resilience so as to thrive in an uncertain environment;
- Ensure that informed and knowledgeable decisions about managing risks are taken at all levels of the Company's operations;
- Raise awareness of the principles and benefits involved in the Risk Management processes and to obtain commitment to the application of sound risk management principles;
- Establish a risk culture that promotes top –down and bottom-up communication.

BICL's ORSA framework is modelled around the interaction of a number of key components, depicted in the following diagram, which operate together as an integrated whole (refer to the Risk Management Policy, the Risk Management Procedures Manual, the Risk Management Strategy and the ORSA Policy). The following framework supports BICL's risk management processes:



Key Components in the Company's Risk Management Framework

a) ***Risk identification and assessment:***

As noted above, in its risk identification and assessment stage, the Company quantifies its risk exposures and conducts a qualitative assessment for those risks that cannot be easily quantified (such as reputational risk and strategic risk). Assessment of any deviation from the assumptions in the underlying standard formula is addressed.

A key component of the ORSA and of the RMF of BICL is the annual risk assessment exercise, through which the Company can assess its position considering the different risks that it is exposed to. This assessment aims to determine BICL's risk profile and compare it to its risk appetite for each risk in order to establish the internal capital needs per risk. Risk Mitigation techniques are also considered given their impact and effectiveness. Such risk mitigation techniques include reinsurance, outsourcing, improved internal controls and processes.

The Company's risk assessment process is broken down in the following stages:

- Risk Identification
- Risk quantification
- Aggregation of risks

Given its early stages in developing its RMF and the size and nature of the operations carried out by BICL, the assessment of risks is carried out through the use of the standard formula, however the risk register is used to record and follow-up on risks not quantified using the standard formula and risks that may not be adequately addressed by the standard formulae which include:

- Strategic Risk
- Organisation structure and system of Governance Risk
- Underwriting Management
- Reserving
- Operational Risk
- Technological Risk (physical and logical, including cyber risk)
- Compliance Risk
- Reputational Risk
- Regulatory Risk
- Investment Management Risk
- Health and Safety Risk
- Fraud Risk
- HR and People Risk
- Office Risk
- Public Relations Risks
- Political Risks
- Investment Risk
- Asset and Liability Risk
- Cyber Risks
- Diversification
- New Regulatory Requirements

Moreover, key risk indicators are identified to enable a self-assessment exercise and reporting.

The risks are assessed based on the severity of adverse impact that they could have on BICL if they were to materialize and are quantified qualitatively and quantitatively. The profiles of the identified risks are then ranked according to their potential severity and to the set risk appetite as will be described further below in this section. The Company through the ORSA process focuses primarily on the material risk as measured through their impact, probability of occurrence and mitigating controls.

b) Risk Management Strategy, Policy and Procedures:

The risk categories in the Company's Risk Universe are covered by the Risk Management strategy, policy and procedures. The Risk Policies and Procedures are 'owned' by BICL and provide guidance to all personnel in managing their respective risks. These policies and procedures communicate BICL's risk appetite, limits, triggers and controls established for each risk type and set out the principles that align risks within the set acceptable limits or mitigate/eliminate residual risks. Such policies and procedures also establish risk monitoring and reporting requirements.

B.3.2 Implementation of the Risk Management System

The Board of Directors is ultimately responsible for ensuring the effectiveness of the risk management system, setting the undertaking's risk appetite and overall risk tolerance limits, as well as approving the risk management strategy and related policies.

B.3.3 Own Risk and Solvency Assessment ("*ORSA*")

BICL as part of its risk management function prepares its Own Risk and Solvency Assessment (ORSA). The process is detailed below.

B.3.3.1 The Process

BICL follows the steps below to implement its ORSA:

- ***Define the driving factors before ORSA planning*** - Such factors include the size and complexity of the Company, e.g. whether it operates only locally, whether it is a part of a larger group, its importance to the sector, proportionality issues, internal governance issues, supervisory perceptions about the Company and supervisory expectations in relation to ORSA, whether the group (where applicable) will provide guidance and assistance with respect to ORSA, other project management issues, and so forth.

- ***Identify and classify risks, including governance*** - The Company identifies the material risks facing the Organisation. This exercise includes risks considered in the SCR formula, as well as risks not included in the standard formula such as liquidity, strategic and business risks. The assessment is done using the impact and probability of the risk occurring. The Company assigns a materiality threshold for this exercise. The risks that exceed the materiality threshold will be the ones where the Company will have to make decisions i.e. mitigate them, transfer them, stop the operation, assign more capital, and so forth.

- ***Assessment and measurement of material risks through different approaches including stress testing*** - the Company collects data, quantifies and aggregates risks using different approaches such as those described in section "Stress Testing". The Company uses this assessment of its risk profile to decide whether there is a need to assign additional capital over and above the SCR, considering diversification techniques.

- ***Capital Allocation*** – According to its risk profile, the Company determines the necessary additional capital over and above the SCR.

- ***Prepare capital planning for the next 3-5 years*** – Based on the capital allocation projections, the Company prepares a capital plan for the following 3-5 years. Such plans depend on its strategic objectives and financial projections and assumptions on future economic conditions).

- ***Stress test and decide on actions in case the risks are crystallized*** - The Company applies additional stress and scenario testing to the forward-looking capital plan and develops actions that can be taken in unforeseen circumstances in the future. Such actions include measures to improve its internal control system, risk management system and its overall governance.

- ***Drafting of the ORSA report***.

  The report is then drafted by the Risk Management team in collaboration with the Insurance Manager, the compliance officer and the actuary. The draft report is presented to the Board of Directors in order to discuss, comment, question and challenge the various aspects of the draft report and amend where deemed necessary. The ORSA report is then finalized and approved by the Board of Directors at a Board meeting held specifically for the purpose.

B.3.3.2 The Board's Involvement

The BICL Board of Directors is involved in the preparation of the ORSA at various stages of its preparation. The Board assisted in the identification of risks affecting the company and the preparation of the financial projections, which formed the basis of the ORSA process. The Board was also actively involved in the identification of stress tests to be performed. Finally, the Board of Directors challenges the report at meetings held prior to it being approved and submitted to the MFSA.

B.3.3.3 Own Solvency Needs

In order to assess the Company's future solvency needs, BICL prepared projections for a period of four years based on the projected accounts for the period from Mar-23 until Mar-26. The solvency requirements of each year were calculated using the Standard Formula.

B.4 Internal Control System

Internal controls are an essential part of the risk management system for all types of risks. They are designed to provide reasonable assurance and support regarding the achievement of the Company's objectives through:

a) the effectiveness and efficiency of operations;

b) reliability of financial and non-financial reporting; and

c) compliance with applicable laws and regulations.

The Board established the policies of the Company, which the Management then has to implement in order to achieve the strategic objective of the Company. The Board policies are then implemented by Management through the process and procedures which should include adequate internal controls in order to mitigate those risks which may hinder the attainment of the strategic objectives set by the Board.

All persons involved in the management of the company, including the outsourced functions, are made aware of the importance of implement effective internal controls as well as to highlight any possible risk or eventuality which may derail the company from achieving its strategic objectives.

Governance

BICL has built its governance structure based on the three lines of defense. The aim is to ensure effective communication, monitoring and control. The first line of defense will constitute the Management function, overseeing the day-to-day running of the Company.

The second line of defense is made up of the oversight of functions.

Finally, the third line of defense is made up of the Internal Audit and the external statutory auditors.

B.4.1 Compliance Function

In line with the Compliance Policy approved by the Board of Directors, the Compliance function shall ensure that laws, regulations, rules and professional standards applicable to the Company are respected at all times. Being the second line of defense, when it comes to internal controls, the Compliance Function shall also carry out the following duties:-

- Prepare and update (on a yearly basis) a Compliance Policy and the Annual Compliance Plan;
- Coordinate the implementation of the Compliance Plan;
- Promote strong compliance culture in the Company's operations;
- Advise the Board of Directors and senior management on compliance with legal, regulatory and administrative provisions that may affect the company;
- Prepare periodical Compliance Reports and report on any relevant compliance issues, which may affect the Company;
- Supervise implementation of action points from the MFSA regarding compliance matters;
- Ensure that the Company receives regular training and awareness on compliance issues and on any new legislative developments, and provide the resources, knowledge and experience the Company requires in order to carry out its duties and responsibilities.
- Ensure that the Compliance Function shall remain independent in performing his/her tasks.
- The Compliance Officer has direct reporting lines to the Board of Directors in the case of significant compliance risks.

B.5 Internal Audit Function

The Internal Audit Function constitutes the third line of defense, providing an independent assurance of the adequacy and effectiveness of the internal control system and other elements of the Systems of Governance at BICL.

The Internal Audit function supervises the adequacy and effectiveness of the Internal control System and other elements of the System of Governance, focusing on the following aspects:

- evaluate the adequacy, sufficiency and effectiveness of certain elements in the Internal Control System.
- evaluation of the implementation of the Company's Risk Management Policy, and the Policies making up the Risk Management System; the degree of risk management as applied by the different risk owners, identification and reporting structures all aimed at assisting the Board of Directors in understanding the risks affecting the Company and the achievement of the set Strategic targets.
- evaluate the adequacy and performance of the Key Functions as envisaged by the Insurance Rules concerning System of Governance.

B.6 Actuarial Function

The Actuarial Function is performed by a service provider that has qualified personnel with the required knowledge and experience in the market. The actuarial function maintains regular contact with the appointed insurance manager and the risk management function to co-ordinate its role and obtain the required financial data and other information.

The actuarial function recommends the underlying assumptions to be used for the calculation of the technical provisions and expresses an opinion on the reliability and adequacy of such technical provisions. The actuarial function also contributes towards the risk management system of the Company and in particular in the performance of the ORSA and attends Board meetings when requested. In addition, the actuarial function assists the insurance manager in the completion of the quantitative reporting templates to be submitted to the MFSA.

On an annual basis the actuarial function performs a full calculation of the solvency capital requirements of the Company using the Standard Formula on the basis of financial data and information provided by the insurance manager, taking into account any limitations in the reliability of such data. The actuarial function reviews the risk profile of the Company on a quarterly basis and any material change in a risk area would result in a re-calculation of the solvency capital requirements. When the risk profile remains stable, the solvency capital requirements at the end of each quarter are assessed and monitored on the basis of the management account figures and International Financial Reporting Standards.

The Actuarial Function presents a report to the Board on an annual basis to report on its activities and provides its opinion on the adequacy of the technical provisions, the underwriting policy and reinsurance policy of the Company.

B.7 Outsourcing

The Company has in force an outsourcing policy that describes the procedure and criteria to be used by the Company to appoint critical or important outsourced functions. The Policy forms part of the internal controls system of BICL that aims to mitigate any risks associated with the outsourcing activities. The Outsourcing policy identifies the procedure for the selection and appointment of all parties providing an outsourcing service.

The following are BICL's outsourced key functions and reporting lines:-

KEY FUNCTION	REPORTING TO:
Compliance	Board of Directors
Actuarial	Board of Directors
Internal Audit	Board of Directors
Risk Management	Board of Directors

B.8 Any Other Information

BICL does not have any other information to include.

C. Risk Profile

The risk profile of BICL is diversified due to the various types of products it has put on the market and its business operations.

The risk profile of the Company continued to change during the reporting period, emanating from new risks being accepted.

The Company measures its risk exposures through quantitative methods by applying the Standard Formula and qualitative methods by the use of questionnaires, qualitative assessments or human judgment.

Table S.25.01.01 included in Section E of this report reflects the Company's risk profile. The most significant risks of the Company is the non-life underwriting risk.

The following is an analysis of the risks affecting the Company and their measurement using the Standard Formula.

C.1 Underwriting risk

Premium risk relates to fluctuations in the timing, frequency and severity of future insured events and the associated variability of expense costs.

Similarly, reserve risk relates to the uncertainty in the timing and the amount of claim settlements of insured events that have already happened.

The business written is diversified and allocated to fire and other property damage, miscellaneous financial loss, legal expenses and assistance. Under the Standard Formula for Solvency II the factors below are applied to the total combined volume measure, to determine the relevant capital requirement.

	Risk Factor Mar-23	Risk Factor Mar-22
Other Motor	8%	8%
Fire and other property damage	6%	8%
General Liability Insurance	11%	11%
Miscellaneous financial loss	13%	13%
Legal expenses	7%	6%
Assistance	7%	16%

It would be possible to try to determine an undertaking specific figure to apply to BICL. However, the relevance of experience for BICL alone has not been seen as an appropriate and valid method of assessment. The change in legal practice with effect from 1 April 2013 means past data may not be applicable for later years.

The standard formula factor represents the most appropriate estimate of the potential capital risk that is currently available. Therefore, at this stage the provision for premium and reserve risk has not been recalculated for the following reasons:

- the provision under the Solvency II standard formula has been computed specifically for each respective class that BICL covers, so it seems reasonable to deem this provision appropriate.
- The data available for BICL in isolation is unlikely to be a more reliable way of estimating this risk due to changes in legal practice from 1 April 2013, with particular emphasis for the core business.
- The changes in the legal practice from 1 April 2013 are unlikely to have any impact on the estimation of the premium and claims reserves for the other general business insurance classes, and thus the data available for BICL is considered a reliable way of estimating the risk.

It is anticipated that as the monitoring of the business develops under Solvency II that the calculation of premium and reserve risk may reflect the experience of BICL more directly. However, it is likely to take some time to accrue sufficient data to adopt this approach.

Non-Life Underwriting Risk

Position as at	Mar-23	Mar-22	Deviation
	GBP	GBP	GBP
Premium & Reserve Risk	9,273	9,578	-305
Lapse Risk	1,250	232	1,018
Catastrophe Risk	293	461	-168
Total Undiversified Capital	**10,816**	**10,271**	**546**
Diversification benefit	-1,382	-564	-818
Total Diversified Capital	**9,434**	**9,706**	**-272**

Data in thousands of GBP

The main movements in this reporting period were the increase in Lapse Risk, whilst having a decrease in the diversification benefit.

C.2 Market Risk

Market Risk is defined as the risk of loss in own funds due to changes in market variables, such as, the interest rate risk, equity prices and foreign exchange rates. This also includes asset liability matching.

The majority of Bastion's assets are held as cash and term deposits. There are also small holdings of corporate bonds and equities. The future cash flows arising from the insurance policies and creditors are also exposed to interest rate risk.

Interest Rate Risk: Term deposits and corporate bonds are exposed to interest rate risk. However, the amount of risk calculated under the Solvency II standard formula is modest reflecting the relatively short duration. The future insurance cash flows include the expected claims payments and the premium income. However, due to the relatively short duration, the amount of risk calculated under the Solvency II standard formula is modest.

Spread and Concentration Risk: The term deposits and corporate bonds are exposed to spread risk and concentration risk. Concentration Risk is now material and reflects the investment choice to hold a significant proportion of assets within term deposits with two institutions. Spread Risk is more modest. However, the amount of risk calculated under the Solvency II standard formula reflects the credit quality of the bonds held and the mix of assets. The equities also fall under concentration risk, but most equity holdings are small enough that they incur zero concentration risk capital requirement.

Equity Risk: The equity holding is exposed to the risk of a fall in market value. Under the standard formula for Solvency II a factor of 349% (plus a market-derived "symmetric adjustment") is applied to the market value to determine the relevant capital requirement. However, the amount of risk calculated is small reflecting the minor exposure.

Currency Risks: Under the standard formula for Solvency II a factor of 25% is applied to the mismatch of assets and liabilities in currencies other than GBP to determine the relevant capital requirement. However, the amount of risk calculated is small reflecting the small exposure. The cash deposits are primarily held in Sterling except for a small amount which is held in Euro. No other foreign currency deposits are held. It is also being projected that for the foreseeable future, Sterling will still remain the reporting currency, mainly due to the fact that the non-Sterling currencies together are lower than the total exposure to Sterling.

Position as at	Mar-22 to Mar-23	Jan-21 to Mar-22	Deviation
	GBP	GBP	GBP
Interest rate risk	403	175	228
Spread risk	340	658	-319
Concentration risk	3,790	405	3,386
Equity risk	181	284	-104
Property risk	0	0	0
Currency risk	267	427	-160
Total undiversified capital for Market Risk	4,980	1,948	3,032
Diversification benefit	-1,112	-761	-351
Total diversified capital for Market Risk	3,868	1,187	2,681

Data in thousands of GBP

For 2022-2023, the exposure continued to increase as emanating from a general increase in business and thus higher cash balances maintained.

C.3 Counterparty default risk

Counterparty or credit Risk is defined as the risk of losses when counterparties are not capable of fulfilling their obligations or when there are changes in the credit standings of counterparties.

Counterparty Default Risks: Counterparty default risk relates to the risk of default of third parties such as reinsurers, banks and creditors. Under the Solvency II standard formula each counterparty is classified as a type 1 exposure (typically where the exposure may not be diversified and where the counterparty is rated) or type 2 exposure (typically where the exposures are usually diversified and where the counterparty is unlikely to be rated).

The table below shows the capital allocated to this risk:

Position as at	Mar-23	Mar-22	Deviation
	GBP	GBP	GBP
Type 1 exposure	571	1,226	-656
Type 2 exposure	435	208	227
Counterparty default risk (Undiversified)	**1,005**	1,434	**-429**
Diversification benefit	-64	-45	-19
Counterparty default risk (Diversified)	**942**	1,389	**-447**

Data in thousands of GBP

- ***Bank Default – Type 1****:* Consistent with the Solvency II standard formula SCR calculations, the ORSA counterparty capital has been assessed assuming that cash deposits will remain with banks of credit ratings at the current level. The risk for the ORSA has been set at the same level as there are no grounds for modifying the standard formula approach and the amount involved is modest so any changes would be unlikely to be material. During the last reporting period, Bastion held cash and cash equivalents with MeDirect, NatWest and UK (Barclays). The exposure continued to increase as emanating from a general increase in business and thus a higher cash balance was maintained.

- ***Reinsurer Default – Type 1:*** As from 2023, the Company started a new 70% reinsurance arrangement with an A rated re-insurer DEVK International Reinsurance Company Limited, covering three agencies being Cirano, AutoProtect and CAR Protection services. Under the standard formula for Solvency II, a range of factors based on the counterparty's credit rating are applied to Type 1 exposures to determine the relevant capital requirement for reinsurance. For the purpose of the ORSA the capital requirement in respect of reinsurer default has been considered to be the same as under the Solvency II standard formula.

- ***Debtors Default – Type 2:*** This relates to insurance and intermediary's receivable being less than 3 months and other insurance and intermediary's receivable in excess of 3 months. The balances in excess of 3 months are limited to balances held by agents to cover cash held for maintaining a claim fund. Under the standard formula for Solvency II, a range of factors based on the counterparty's credit rating are applied to Type 2 exposures to determine the relevant capital requirement for reinsurance. The provisions applied do not seem unreasonable and there is no data to test the level of potential defaults from premiums.

C.4 Liquidity risk

Liquidity risks are managed through a liquidity risk management policy approved by the Board of Directors of BICL. It is mainly based on maintaining sufficient cash balances to comfortably cover the Company's obligations towards its policyholders and creditors.

In view of the amount of cash held and the expected future premium income the liquidity risk is negligible. In practice, capital is not a good match for liquidity risk as the amount of capital is not relevant to the risk of being unable to rapidly realise assets if needed. In effect the risk is managed by holding the majority of the assets in cash or relatively liquid assets.

C.5 Operational risk

Operational risk relates to the failure arising from operational processes, people, systems or external events.

There is relatively little published data that is appropriate to be used to measure such risks with any degree of accuracy. Therefore, the factors used to determine the operational risk under the Solvency II standard formula have been justified by reference to internal models produced by larger entities. The provision for operational risk under the Solvency II standard formula is based on a maximum of a factor of 3% applied to the earned premium in the year plus 3% of any increase over 20% in the earned premium compared to the previous year and 3% of the technical provisions.

Thus, the operational risk capital increases as the volume of business increases. Whilst this is likely to be true, the complexity of the business being written will also be a factor. For BICL the current business plan is to reduce the writing of the various forms of legal expenses insurance and increase more the writing of non-legal business. Although there are some changes to the operation of the business going forward, the potential level of operational risk has been deemed to be low at this level.

Position as at	Mar-22 to Mar-23	Jan-21 to Mar-22	Deviation
	GBP	GBP	GBP
Operational risk module	**1,447**	**1,073**	**374**

Data in thousands of GBP

The slight increase in the operational risk is driven by the growth of business of some of the agents during 2022/2023.

C.6 Other material risks

Other material risks, including strategic risks, have been identified and the Company is setting aside £46,275 of additional capital to cover such risks. Please refer to 'Risk Register' Appendix for an update and breakdown of each of the risks identified.

C.7 Any other information

BREXIT -
Bastion has continued to engage with the PRA over the last year as part of its planning following the agreed Withdrawal Agreement, HM Treasury UK legislated for a temporary permissions regime (TPR) that allowed, for a limited period of time, after Brexit day EEA firms that currently passport into the UK to continue conducting business in the UK and expects to receive confirmation from the PRA prior to the 31 December 2023 deadline. Under separate cover, the PRA also issued confirmation of entry of Bastion to the TPR.

D. Valuation for solvency purposes

D.1 Assets

The following are the asset valuation differences using Solvency II criterion, including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the IFRS financial statements ("Accounting value") at 31st March 2023 and as at 31st March 2022 (as comparative).

For a better understanding, it is important to consider that the balance sheet presented below conforms to Solvency II regulations, and therefore it was necessary to reclassify the data included under "Accounting value" since the Solvency II balance sheet is structured differently as compared to IFRS. Thus, differences in classification arose under certain headings between the data included in the financial statements and those reflected under "Accounting value."

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Goodwill		-		-
Deferred acquisition costs	-	5,551	-	4,815
Intangible assets	-	-	-	-
Deferred tax assets	-	-	-	-
Pension benefit surplus	-	-	-	-
Property, plant & equipment held for own use	-	-	-	-
Investments (other than assets held for index-linked and unit-linked contracts)	23,753	21,644	8,049	7,985
Property (other than for own use)	-	-	-	-
Holdings in related undertakings, including participations	-	-	-	-
Equities	363	363	549	549
Equities – listed	-	-	258	258
Equities – unlisted	363	363	291	291
Bonds	82	81	5,011	4,948
Government Bonds	-	-	-	-
Corporate Bonds	82	81	5,011	4,948
Collective Investment Undertakings	-	-	274	274
Deposits other than cash equivalents	23,307	21,200	2,214	2,213
Reinsurance recoverables from:	8,919	18,581	10,143	13,957
Non-life and health similar to non-life	8,919	18,581	10,143	13,957
Non-life, excluding health	8,919	18,581	10,143	13,957
Deposits to cedants	-	-		
Insurance and intermediaries receivables	397	6,064	176	6,970
Reinsurance receivables	3,040	485	1	209
Receivables (trade, not insurance)	1,244	1,268	1,139	1,183
Cash and cash equivalents	4,371	6,244	17,431	16,645
Any other assets, not elsewhere shown	20	255	4	68
TOTAL ASSETS	41,745	60,093	36,943	51,832

Data in thousands of GBP

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D.1.1 Goodwill

The Company does not recognise goodwill.

D.1.2 Deferred acquisition costs

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Deferred Acquisition Costs	-	5,551	-	4,815

figures in Thousands of GBP

This is the deferral of acquisition costs incurred by the Company on the other general insurance business policies excluding ATE policies i.e. Land Vehicles (Class 3), Fire and Natural Forces (Class 8), Other Property Damage (Class 9), General Liability (Class 13), Miscellaneous Financial Loss (Class 16) and Assistance (Class 18). The acquisition costs are deferred in line with the policy duration. For legal expenses (core business and other ATE business included within the other general insurance business) (i.e. Legal Expenses, Class 17), no deferral of acquisition costs is taken into account for After the Event policies ("ATE"), whereas acquisition costs are deferred for Legal Expenses, Class 17, Before the Event policies ("BTE").

The difference between the Financial Statements and Solvency II is due to different valuation principles applied for Solvency II purposes, whereby deferred acquisition costs are considered as nil under the Solvency II valuation.

D.1.3 Intangible assets

The Company does not hold any intangible assets.

D.1.4 Deferred tax assets

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Deferred Tax	-	-	-	-

figures in Thousands of GBP

Deferred tax under IFRS is calculated at 35% of the temporary differences. The company does not have a deferred tax balance in terms of IFRS. For Solvency II purposes, the deferred tax asset is calculated as 35% tax charged on the net valuation difference between Solvency II as compared to IFRS i.e. net assets as per IFRS compared to the surplus of assets over liabilities.

The main valuation differences between the Solvency II and statutory accounts are detailed in forthcoming sections of this Chapter and relate to the removal of margins included in the IFRS statutory accounts and other changes in the valuation of Technical Provisions.

There are no deferred tax assets recognized under Solvency II (or in the statutory accounts) for the current period.

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D.1.5 Pension benefit surplus

Pensions Benefits surplus does not apply.

D.1.6 Property, plant & equipment held for own use

Property, plant & equipment held does not apply.

D.1.7 Investments (other than assets held for index-linked and unit-linked contracts)

All investments must be measured at fair value on the Solvency II balance sheet, regardless of the accounting portfolio under which they are classified. The determination of fair value is performed by following the same procedures and methodology used for determining fair value based on IFRS 13.

IFRS 13 defines fair value as the price received in exchange for an asset or paid for transferring a liability during an orderly transaction between market participants at the valuation date. In a fair value valuation, the transaction should take place in the main asset or liability's market, and where this does not exist, in the most advantageous market. Valuation techniques appropriate to the circumstances for which there is sufficient data to conduct a fair value measurement must be used, maximizing the use of relevant observable variables while minimizing the use of variables which cannot be observed.

In order to increase the coherence and comparability of the fair value measurements, IFRS 13 establishes a fair value hierarchy making it possible to classify the valuation technique variables used to determine fair value in three different levels.

Level 1 corresponds to unadjusted quoted prices on active markets. Level 2 uses observable data, or listed prices for instruments which are similar to those being appraised, or other valuation techniques in which all the significant variables are based on observable market data; Level 3 uses specific variables for each case. The Company's investments are primarily classified within Level 1.

The market prices of significantly all of the company's investments are readily available and the instruments are actively traded – details of which are provided by the portfolio manager. As indicated at the top of this section, all investments must be measured at fair value on the Solvency II balance sheet, regardless of the accounting portfolio under which they are classified. In the Company's financial statements, investments are also measured at fair value, which coincides with that established by Solvency II.

Under this heading, and based on the Solvency II balance sheet, the following investments are included.

D.1.7.1 Property (other than for own use)

Not applicable for BICL.

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D.1.7.2 Equities, bonds, collective investment entities, and derivatives

As indicated at the top of this section, all investments must be measured at fair value in the Solvency II balance sheet, regardless of the accounting portfolio under which they are classified. In the Company's financial statements, investments are measured at fair value through profit and loss, the valuation of which coincides with that established by Solvency II. Therefore, valuation differences are reflected under these headings. A breakdown is shown below:

Equities

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Equities	363	363	549	549
Equities – listed	-	-	258	258
Equities – unlisted	363	363	291	291

figures in Thousands of GBP

There is no difference between the statutory balance sheet valuation and the Solvency II balance sheet. The unlisted equity is a strategic investment that the Company holds 10% of the shares in an unrelated Company denominated in Euro.

The company's investment in non-listed equity securities as at March 2023 amounts to £363k (March 2022: £291k). These investments were valued based on a recent transaction price (i.e. an arm's length price between market participants as at the reporting period) as at 31st March 2022 and based on BICL's share of Net Asset Value as at March 2023.

Bonds

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Corporate Bonds	82	81	5,011	4,948

figures in Thousands of GBP

A) Government bonds:

Not applicable for BICL.

B) Corporate bonds:

The difference between the statutory valuation and the Solvency II balance sheet is due to the reclassification of accrued interest from any other assets not elsewhere shown as per the Solvency II criteria.

C) Structured notes:

Not Applicable to BICL.

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D.1.7.3 Collective Investments Undertakings

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Collective Investments Undertakings	-	-	274	274

figures in Thousands of GBP

BICL has no Collective Investments Undertakings as at March 2023.

D.1.7.4 Derivatives

Not Applicable to BICL.

D.1.7.5 Deposits other than cash equivalents

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Deposits other than cash equivalents	23,307	21,200	2,214	2,213

figures in Thousands of GBP

The difference between the statutory valuation and the Solvency II balance sheet is due to the reclassification of notice accounts, where cash is held on deposit for a fixed term from Cash and Cash Equivalents on an the Statutory Balance sheet, to Deposits other than cash equivalents on a Solvency II basis, and also due to the reallocation of accrued interest.

D.1.7.6 Other investments

Not Applicable to BICL.

D.1.8 Loans and mortgages

Not Applicable to BICL.

D.1.9 Reinsurance recoverable

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Reinsurance recoverable from non-life excluding health	8,919	18,581	10,143	13,957

figures in Thousands of GBP

The Company's strategy is to assume risk of 30% on new agency agreements, depending on its materiality to the overall business. Whereas older agreements which are reinsured assume a risk of 10%. The Company is still exposed to these contracts given that not all claims emanating from these contracts have been settled.

The difference between the statutory accounts valuation and the solvency II valuation is due to differing valuation methodology, out of which £554,388 is due the reclassification from reinsurance payables to reinsurance share of Technical Provisions (reinsurance recoverable) being the amount due to reinsurers which as at period-end have been considered as not yet due or relate to future premium.

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Reinsurance Recoverable - The closing best estimate	Mar-22 to Mar-23
Reinsurance Recoverable related to the Premium Provision – Core business	-
Reinsurance Recoverable related to the Premium Provision– other general business	4,089,591
Reinsurance Recoverable related to the Claims Provision – Core business	(785)
Reinsurance Recoverable related to the Claims Provision – other general business	4,830,618
Best Estimate – Reinsurance recoverable	**8,919,424**

Section D.1.12 contains further information pertaining to the variance between the accounting value and the Solvency II value.

D.1.10 Deposits to cedants

Not Applicable to BICL.

D.1.11 Insurance and intermediaries receivables

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Insurance and intermediaries receivables	397	6,064	176	6,970

figures in Thousands of GBP

In the IFRS balance sheet, projected premium receivable amounts to £2,292,291 and is estimated using the average premium per policy method applied at a development period level. For Solvency II purposes, this premium receivable represents a future cash flow and has been included within 'Technical Provisions – Non-life' (under the Liabilities section of the SII Balance Sheet) and therefore, the Solvency II Value, specifically in relation to the projected premium receivables recognized under Insurance and intermediaries' receivables is nil, similar to March 2022 position. Further information about the calculation of the outstanding premium receivable is provided in Section D.2 Technical Provisions.

In addition, an amount receivable from the Company's distributors amounting to £3,771,820 relates to the insurance receivable as at period-end. £397,297 of the total amount has been classified to *'insurance and intermediaries' receivables'* for Solvency II purposes, all of which emanating from current premium cover net of claims. The remaining £3,374,524 being assessed as 'receivables not yet due' were reclassified to technical provisions, being made up of balances not yet due in line with the agreements as well balances due but which relate to future premium cover.

<u>Uncertainty of receivables / Technical Provisions</u>

In order to allow for the uncertainty of the core insurance business the directors have decided to deduct a margin from insurance receivables in the financial statements. This margin is not a best estimate and does not form part of the Solvency II balance sheet. No allowance for uncertainty has been provided on the other general insurance business.

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D.1.12 Reinsurance receivables

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Reinsurance receivables	3,040	485	1	209

figures in Thousands of GBP

Reinsurance receivable refers to the amount due to be collected from the reinsurer. Under the IFRS balance sheet these amount to £485 while under the SII balance sheet this amounts to £3,040. The valuation difference of £2,555 between Solvency II and IFRS relates to receivables that have been reclassified within Reinsurer's share of Technical Provisions in the Statutory accounts and classified within Reinsurance receivables on a Solvency II basis. In accordance with Solvency II, cash flows arising from reinsurance contracts pertaining to settled claims should not be accounted for as part of technical provisions. These have therefore been reclassified to Reinsurance receivables.

D.1.13 Receivables (trade, not insurance)

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Receivables (trade, not insurance)	1,244	1,268	1,139	1,183

figures in Thousands of GBP

Balances as above are in relation to inter-company balances and other non-insurance debtors as at period-end. The inter-company balance includes a profit commission which under IFRS is calculated by considering a risk margin, for SII purposes, the risk margin has been removed.

D.1.14 Cash and cash equivalents

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Cash and Cash equivalents	4,371	6,244	17,431	16,645

figures in Thousands of GBP

Cash and cash equivalents are carried in the statement of financial position at face value. Notice deposits, term deposits and other term deposits placed through Curmi and Partners with MeDirect Bank (Malta) Plc, NatWest and Barclays are shown under "Deposits other than cash equivalents" on the Solvency II balance sheet.

D.1.15 Any other assets, not elsewhere shown

Assets	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Any other assets, not elsewhere shown	20	255	4	68

figures in Thousands of GBP

In the IFRS balance sheet, these are made up of accrued interest on bond holdings and term deposits and other prepayments.

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a) Valuation for Solvency II purposes

For the purposes of the Solvency II balance sheet, this heading includes any assets not reflected in other sections, which was measured under IFRS at fair value.

b) Valuation differences between Solvency II and IFRS criteria

Under Solvency II criteria, only prepayments have been included under this section as accrued interest, under Solvency II, is included under the respective heading of Corporate Bonds and Deposits other than Cash equivalents. As a result of this differentiation in the classification criteria, valuation is different.

D.1.16 Additional information

There is no other material information regarding the valuation of assets for solvency purposes that has not already been disclosed above.

D.2 Technical provisions

Following are the technical provision valuations using Solvency II criterion (hereinafter, "Solvency II Provisions"), including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements using IFRS of accounting.

Technical provisions	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Technical provisions - non-life	18,215	34,667	16,419	27,303
Technical provisions - non-life (excluding health)	18,215	34,667	16,419	27,303
Technical provisions calculated as a whole	0	0	0	0
Best Estimate	17,332	0	15,260	0
Risk margin	883	0	1,159	0
TOTAL TECHNICAL PROVISIONS	**18,215**	**34,667**	**16,419**	**27,303**

figures in thousands of GBP

Split by Line Of Business:

	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
Total Best estimate - gross	79	-86	-1	-260	68	17,532	17,332
Risk margin	8	20	0	0	7	849	883
Technical provisions - total	87	-66	-1	-260	75	18,380	18,215

Figures in thousands of GBP

The technical provisions comprise the best estimate and the risk margin.

Best Estimate Liabilities

The best estimate liabilities (BEL) for the core insurance business consist of a provision for outstanding claims plus a provision for outstanding claims handling costs. Under this category it also includes a provision for outstanding premiums receivable, plus a provision for policy administration expenses, because the premium cash flows and policy administration expenses belong to the same insurance contracts as the claims cash flows. Additionally, the BEL includes an allowance for commissions payable and future overhead expenses related to the existing policies. Under Solvency II valuation principles these should be included within the technical provisions. Profit commission payable to Keystone Legal Benefits is also included as part of Technical Provisions.

The best estimate liabilities (BEL) for the other general insurance business (commenced since 2018), consisting of miscellaneous financial loss insurance, assistance insurance, fire and other damage to property insurance, other motor insurance, general liability, and a small amount of legal expenses insurance, includes a reserve for outstanding claims, incurred but not reported (IBNR) claims and a provision for claims cash flows arising from the unearned period. Additionally, the BEL includes an allowance for future overhead expenses, commissions payable and insurance receivables not past-due relating to the existing policies. Profit commission

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payable to Keystone Legal Benefits is also included as part Technical Provisions. Under Solvency II valuation principles, all the above should be included within the technical provisions.

The BEL has been calculated using non-life actuarial techniques.

The best estimate of outstanding claims for the core insurance business has been calculated using the average cost per claim method for each policy class. The number of claims in each future development year has been derived using an assumed settlement pattern of open policies and number of policies closed with payment. The average cost per claim in each development period has been derived using incremental paid claims and the number of policies closed with payment. The reserve for outstanding claims is then determined as the sum of the number of policies closed with payment multiplied by the average cost per claim in each future development period.

The reserve for outstanding claims handling costs for the core insurance business is determined as 5% of the reserve for claims outstanding.

The best estimate of outstanding claims included under the other general insurance business policies comprise amounts as provided by the insurance intermediaries under the various portfolios in relation to claims notified to them that are pending settlement. In general, IBNR reserves are calculated on the basis of best estimate loss ratios on the earned premium, after taking into consideration the actual claims paid and the outstanding claims. A provision for claims on unearned premium has been calculated by multiplying the unearned premium by the best estimate loss ratio to obtain a best estimate of claims resulting from future events.

For the other general insurance business policies introduced since 2018, while the Company is still in the process of building further historical data, the best estimate loss ratios used were based on the company's projections, which are in turn recommended by the independent actuarial function. Where appropriate, these loss ratios have been revised based on actual loss ratio performance experienced. The best estimate loss ratios used have been determined with respect to the information provided by the respective intermediaries and are based on their market experience. An allowance for claims arising from events not in data ("ENID") has also been included.

No provision has been made for latent claims due to the nature of the business.

The best estimate provision for future premiums for the core business has been calculated using the average premium per policy method for each policy class. The number of premiums receivable in each future development year has been derived using an assumed settlement pattern of open policies and number of policies closed with premium. The average premium per policy in each development period has been derived using incremental premiums and the number of policies closed with premium. The best estimate provision for future premiums is then determined as the sum of the number of policies closed with premium multiplied by the average premium per policy in each future development period less any premiums already received on open policies. The reserve for policy administration expenses has been calculated as a percentage of the premium receivable which varies by policy type. The reserve for future

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overhead expenses has been calculated based on financial projections over the expected run-off horizon of the majority of outstanding claims.

	Mar-23
Reserve for outstanding claims – Core business	£968,729
Reserve for outstanding claims handling cost – Core Business	£48,436
Reserve for outstanding claims – Other general business	£2,349,964
Reserve for incurred but not reported claims – Other general business	£3,189,458
Reserve for unearned premiums – Other general business	£14,009,354
Reserve for future premiums – Core Business	-£2,629,254
Reserve for policy admin expenses and commissions on Core Business	£1,364,188
Reserve for policy admin expenses and commissions on Other general business	£12,852
Reserve for insurance debtors on Core Business	-£39,054
Reserve for insurance debtors on Other general business	-£3,213,418
Reserve for overhead expense allocation on Core Business	£66,842
Reserve for overhead expense allocation on Other general business	£1,203,643
Reserve for outstanding claims handling cost – Other General Business	£0
Best estimate liabilities	**£17,331,741**

Cash flows

Projected cash flows for the best estimate of outstanding claims for the core insurance business policies have been determined as part of the calculation process carried out for the total outstanding claims (as described above). Projected cash flows for the best estimate of outstanding claims for non-Keystone policies have been derived by applying an assumed linear payment pattern to the total best estimate of outstanding claims over the assumed payment period for each product.

Projected cash flows for the best estimate provision for future premiums have been determined as part of the calculation process carried out for the total future premiums (as described above).

As future technical expenses and admin costs relate to the insurance contracts, the same payment patterns described above have been applied to these as applicable.

Discounting

Discounting has been applied to the best estimate liabilities based on the yield curve corresponding to the denomination of the insurance flows as at 31 March 2023 issued by the European Insurance and Occupational Pensions Authority (EIOPA). Future overhead expenses are denominated in both Euro and sterling so have been discounted based on the corresponding yield curves.

Risk Margin

The Risk Margin is the cost of having to hold capital over the projected run-off period of the claims. It has been calculated by applying the prescribed cost of capital factor of 6% to the projected underwriting and operational risk component of the SCR, in accordance with subsection 4 in the Commission Delegated Regulation 2015/35. The future SCRs have been projected and discounted as described above.

The Risk Margin determined on this basis is £883,486.

Uncertainty of Technical Provisions

The main areas of uncertainty for the core insurance business policies relate to the number and size of individual claims and the time taken for claims to be fully settled. This is of particular importance to BICL as only a few policy years are fully run-off and there is a need to estimate the number of policies closed with payment, the number of policies closed with a premium receipt, the average claim size and the average premium receipt for policies closed in the tail.

In order to allow for the uncertainty of post LASPO policies, the directors have decided to hold an additional margin in the technical provisions and insurance receivables in the financial statements. This margin does not meet the definition of a best estimate and does not form part of the Solvency II balance sheet.

The Technical Provisions determined for the other general insurance business are determined based on best estimate loss ratios as recommended by the actuarial function, which are in turn informed based on the historical patterns which extend up to 2018 (at most), and an unearned premium reserve. Given the limited amount of historical data, there is uncertainty surrounding these provisions and the actual experience may differ from that projected. An additional margin is not held for these policies. A number of lines benefit from proportionate reinsurance cover, which does mitigate the risk.

Solvency II Basis Compared to Financial Statements

	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
	GBP	GBP	GBP	GBP
Gross Best Estimate Liabilities (SII)/ Technical provisions (Financial Statements)	17,331,741	34,666,973	15,259,820	27,302,735
Risk Margin	883,486	n/a	1,159,454	n/a
Gross Technical Provisions	18,215,227	34,666,973	16,419,274	27,302,735

	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
	GBP	GBP	GBP	GBP
Net Best Estimate Liabilities (SII)/ Technical provisions (Financial Statements)	8,412,317	16,086,315	5,116,524	13,345,580
Risk Margin	883,486	n/a	1,159,454	n/a
Net Technical Provisions	9,295,803	16,086,315	6,275,978	13,345,580

Included within the technical provisions, as per the financial statements, is an element of unearned premium reserves for the other general insurance policies. This is because the premiums for these policies are earned over the term of each policy.

The difference between the BEL on the Solvency II basis and in the financial statements relates to the inclusion of future premiums receivable within Non-Life Technical Provisions under the core insurance business policies instead of insurance and intermediaries' receivables, as well as expenses and commissions payable.

Furthermore, included in the Financial Statements as at period end is an allowance of 20% on the Outstanding Claims Reserve for the core insurance business' post-LASPO (i.e. policies after 2013) to allow for a level of uncertainty in the reserves. This is removed for Solvency II purposes as explained above. As also noted above, an additional margin is not held for the other general insurance policies.

The risk margin is a specific requirement under Solvency II. There is no comparable amount in the financial statements.

D.2.2 Measures designed for managing long-term guarantees

Not applicable to BICL.

D.2.2.a Reconciliation adjustments

BICL did not use the above reconciliation adjustments.

D.2.2.b Volatility adjustments

BICL did not use the above volatility adjustments.

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D.2.2.c Transitory term structure of risk-free interest rate

BICL did not use the transitory term structure of risk-free interest rate.

D.2.2.d Transitional deduction

BICL did not use this transitional deduction.

D.2.3 Reinsurance special purpose entities

Not applicable to BICL.

D.2.4 Significant changes in hypotheses used when calculating technical provisions

For core insurance business, the assumptions were updated to allow for the most recent experience. The reserving policy adopted on the core insurance business recognises and acknowledges the fact that the company is still subject to exposure on future policies. For the other general insurance business, the approach to calculating technical provisions has been detailed above. The loss ratios used have been updated by Bastion since the previous year end in light of experience to date.

D.3 Other liabilities

Following are the liability valuation differences using Solvency II criteria, including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the IFRS financial statements ("Accounting value") at March 2023 and March 2022.

Other liabilities	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Total technical provisions	18,215	34,667	16,419	27,303
Contingent liabilities	0	0	0	0
Provisions other than technical provisions	0	0	0	0
Pension benefit obligations	0	0	0	0
Deposits from reinsurers	0	0	0	0
Deferred tax liabilities	708	0	249	0
Derivatives	0	0	0	0
Debts owed to credit institutions	0	0	0	0
Financial liabilities other than debts owed to credit institutions	0	0	0	0
Insurance & intermediaries payables	136	1,416	23	2,470
Reinsurance payables	303	2,893	752	3,011
Payables (trade, not insurance)	5,599	5,649	4,381	4,391
Subordinated liabilities	0	0	0	0
Subordinated liabilities not in Basic Own Funds	0	0	0	0
Subordinated liabilities in Basic Own Funds	0	0	0	0
Any other liabilities, not elsewhere shown	323	323	321	321
TOTAL LIABILITIES	25,284	44,948	22,145	37,496
EXCESS OF ASSETS OVER LIABILITIES	**16,460**	**15,145**	**14,799**	**14,337**

figures in thousands of GBP

D.3.1 Contingent liabilities

Contingent Liabilities do not apply for BICL.

D.3.2 Provisions other than technical provisions

Provision other than technical provisions do not apply for BICL.

D.3.3 Deposits from reinsurers

Deposits from other reinsurers do not apply for BICL.

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D.3.4 Deferred tax liabilities

Other Liabilities	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Deferred tax liabilities	708	-	249	-

figures in thousands of GBP

Deferred tax under IFRS arises on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date. The company does not have a deferred tax balance in terms of IFRS.

The transition of IFRS balance sheet values to those of Solvency II as reported cause balance sheet movement adjusting the net asset value being reported. Such movements give rise to the recognition of deferred tax asset/liability adjustment in the Solvency II balance sheet.

The main valuation differences between the Solvency II and statutory accounts are detailed in forthcoming sections of this Chapter and relate to the removal of margins included in the IFRS statutory accounts and other changes in the valuation of Technical Provisions.

D.3.5 Derivatives

Derivatives do not apply for BICL.

D.3.6 Insurance & intermediaries payables

Other Liabilities	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Insurance & intermediaries payables	136	1,416	23	2,470

figures in thousands of GBP

IFRS Insurance and intermediaries payables are made up of commission payable, normally 20% on the core insurance business, being on the estimated and non-estimated premium written. Furthermore, this provision also includes administrative fees at 12% of the premium written and third-party commission post LASPO policies forming part of the core insurance business.

The difference between the statutory accounts and the Solvency II valuation as shown above is due to a reclassification from Insurance and Intermediaries Payables to Technical Provisions as these result from the same insurance contracts. Furthermore, as explained above, a 20% risk margin (20% in March 2022) is applied in the Financial Statements on policies post 2013 to address levels of uncertainty, This margin was removed for Solvency II purposes. This impacts the Solvency II valuation since a change in the Premium Reserve would have consequential effect on the Technical Provisions. Under Solvency II the best estimate of the Premium Reserves and thus the Provisions for Insurance and Intermediaries Payables are considered before the 20% risk margin effect and included in Technical Provisions. No allowance has been made on other commission costs incurred on the other general insurance business which form part of the insurance and intermediaries' receivables/payables.

D.3.7 Reinsurance payables

Other Liabilities	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Reinsurance payables	303	2,893	752	3,011

figures in thousands of GBP

The reinsurance payables in the financial statements, amounting to £2,892,781 is inclusive of £1,617,158 of deferred reinsurance commissions, which for Solvency II purposes is not taken into account. The remaining difference in valuation is due the reclassification of reinsurance payables to reinsurance share of Technical Provisions being the amount due to reinsurers which as at period-end have been considered as not yet due or relate to future premium. This reclassification amounts to £972,833.

D.3.8 Payables (trade, not insurance)

Other liabilities	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Payables (trade, not insurance)	5,599	5,649	4,381	4,391

figures in thousands of GBP

Payables (trade not insurance) are comprised of payables provided by third parties to the company, all of which are not related to insurance services. Current tax payable and Insurance Premium Tax have also been recognised here.

There are minimal valuation differences for both March 2023 and March 2022 between the Solvency II and IFRS. The difference during the current period relates to the profit commission payable to Keystone Legal Benefits. This amount is included as part of inter-company balance on which 20% risk margin was applied. This amount has been reclassified to Technical Provisions as per the Technical Provisions note.

D.3.9 Any other liabilities, not elsewhere shown

Other Liabilities	Solvency II Value as at Mar-23	Accounting Value as at Mar-23	Solvency II Value as at Mar-22	Accounting Value as at Mar-22
Reinsurance payables	323	323	321	321

figures in thousands of GBP

The amount included under this category is in relation to accruals as at period end. There are no valuation differences between Statutory Accounts and Solvency II.

D.3.10 Additional information

BICL does not have any additional information to be included.

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D.4 Alternative methods for valuation

BICL does not make use of alternative valuation methods.

D.5 Any other information

D.5.1 Accounting principles not applied

In preparing the separate financial statements, no IFRS accounting standards were omitted; therefore, the valuations performed for solvency were done so by applying said principles.

D.5.2 Contingent liabilities which were not possible to reliably determine

No contingent liabilities are applicable for BICL.

D.5.4 Any other disclosures

There is no other material information regarding the valuation of assets for solvency purposes that has not already been disclosed above.

E. Capital management

E.1 Equity

E.1.1 Own funds objectives, policies, and management processes

In order to manage and monitor its own funds and capital requirements, the Board of Directors of BICL has a Capital Management Policy detailing the:

- procedure to ensure that own fund items meet the requirements of the applicable capital and distribution regime and are correctly classified where the applicable regime requires;
- process of the procedure to monitor issuance of own fund items;
- procedure to ensure that the terms and conditions of own fund items are clear and unambiguous in relation to the criteria of the applicable capital regime; and
- procedure to identify and document instances in which distribution on an own funds item are expected to be deferred or cancelled.

The Board of Directors will, at least on a quarterly basis, review the Own Funds position of the Company. This review will ensure that:

1) The Company is at all times compliant with its Solvency Capital Requirement and Minimum Capital Requirement both at present and within the next three years from date of assessment;
2) All own fund items are classified firstly as Basic Own Funds, and secondly in accordance with the Tiers of Capital, judged as per the Criteria set in the Insurance Rules, and that preference is at all times given to Tier 1 Basic Own Fund items;
3) A "Prudent Person Principle" is applied throughout the process of managing Own Funds, including in decisions related to distributions;
4) Decisions of any nature which may have an impact on the company's capital, take into account the capital requirements of the Company.

The Company shall seek to at all times maintain the necessary Own Funds, as defined in Insurance Business Act and subsidiary rules and made up of the components specified therein, thus remaining compliant with the SCR and MCR.

E.1.2 Structure, amount, and quality of own funds

As defined in regulations for Own Funds, these may be classified into three (3) Tiers based on both '*permanence*' and '*loss absorbency*' with Tier 1 being of the highest quality. Tier 1 is also divided into '*restricted*' and '*unrestricted*'. Other Tiers of own funds, but of lower quality are Tier 2 and Tier 3.

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A breakdown of the available Own Funds and the Eligible Own Funds for BICL as at 31st March 2023 and 31st March 2022 and required to cover the SCR classified by Tier quality level is provided below, in accordance with the Solvency II Directive:

Position as at	GBP 31-Mar-23	GBP 31-Mar-22
Available own funds	16,460	14,799
Tier 1 unrestricted	16,460	14,799
Tier 2	0	0
Tier 3	0	0

figures in thousands of GBP

As at 31st March 2023 and 31st March 2022, the share capital and capital contribution of the Company is made up as follows:

Position as at	GBP 31-Mar-23	GBP 31-Mar-22
Capital Structure	11,788,896	11,032
Issued Share Capital	8,000,000	8,000
Capital Contribution	3,788,896	3,032

figures in thousands of GBP

The following reflects the structure, amounts, and quality of the Basic and Ancillary Own Funds for BICL as well as the Entity's coverage ratio, i.e. the level of Own Funds within the SCR and MCR. On 11th January 2023, the MFSA has authorised the Company, to declare an interim dividend of £1,616,648 (March 2022: £0). In line with Bastion's Dividend Policy, the Directors agreed to re-capitalise £756,648 from this Dividend distribution, back into Bastion as Capital Contribution. Furthermore, the shareholders agreed, that once the tax refund of £746,145, related to this dividend distribution, is received, it will also be recapitalised in Bastion in the form of Capital Contribution. However, as at the end of the financial year March 2023, the tax refund was not yet issued by the authorities.

S.23.01.01.01
Own funds

		Total	Tier 1 - unrestricted
		C0010	C0020
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35			
Ordinary share capital (gross of own shares)	R0010	8,000,000	8,000,000
Share premium account related to preference shares	R0110	-	-
Reconciliation reserve	R0130	4,671,356	4,671,356
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	3,788,896	3,788,896
Total basic own funds after deductions	R0290	16,460,252	16,460,252
Total ancillary own funds	R0400	-	-
Available and eligible own funds		-	-
Total available own funds to meet the SCR	R0500	16,460,252	16,460,252
Total available own funds to meet the MCR	R0510	16,460,252	16,460,252
Total eligible own funds to meet the SCR	R0540	16,460,252	16,460,252
Total eligible own funds to meet the MCR	R0550	16,460,252	16,460,252
SCR	R0580	13,013,779	-
MCR	R0600	3,506,176	-
Ratio of Eligible own funds to SCR	R0620	126%	-
Ratio of Eligible own funds to MCR	R0640	469%	-

figures from QRTs in GBP (as at 31st March 2023)

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S.23.01.01.02
Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	16,460,252
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	11,788,896
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	4,671,356
Expected profits		-
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	1,659,797
Total Expected profits included in future premiums (EPIFP)	R0790	1,659,797

figures in GBP (as at 31st March 2023)

The Company's Solvency Ratio as at March 2023 is 126% (March 2022: 124%). This ratio measures the relationship between Eligible Own Funds and the Solvency Capital Requirements and was calculated using the Standard Formula. This ratio falls within the Risk Appetite established for the BICL and approved by its Board of Directors.

There has been no change to the level of ordinary share capital.

The reconciliation reserve comprises retained earnings and differences between the valuation basis used under International Financial Reporting Standard (IFRS) and Solvency II. The company has not classified any amounts as 'Surplus funds', and the main movements were described above. The movement in the excess of assets over liabilities including the reconciliation reserve between March 2023 and March 2022 is shown in the appendices to this report see S.29.01.01

The Company's Own Funds reflects the Company's capacity to absorb extraordinary losses arising from adverse scenarios in one out of every 200 years and those identified in the Own Risk Solvency Assessment. The available and eligible own funds of the Company are in the main high quality, Tier 1 items.

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

E.2.1 Amount of Solvency Capital Requirement

The following table shows the SCR broken down by risk modules, calculated using the Standard Formula:

S.25.01.01.01
Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement
		C0030	C0040
Market risk	R0010	3,868,198	3,868,198
Counterparty default risk	R0020	941,564	941,564
Life underwriting risk	R0030	-	-
Health underwriting risk	R0040	-	-
Non-life underwriting risk	R0050	9,433,970	9,433,970
Diversification	R0060	(2,676,568)	(2,676,568)
Intangible asset risk	R0070	-	-
Basic Solvency Capital Requirement	R0100	11,567,164	11,567,164

figures in GBP (as at 31st March 2023)

S.25.01.01.02
Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	1,446,614
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	13,013,779
Capital add-on already set	R0210	
Solvency capital requirement	R0220	13,013,779

figures in GBP (as at 31st March 2023)

The total SCR for BICL as at March 2023 amounted to £13.014M (March 2022: £11.918M). As indicated in the regulations, the SCR corresponds to the Company's equity limiting the probability of insolvency to a one in 200 (1:200) year case scenario or that the Company is still 99.5% able to meet its insurance obligations in the following year.

The Company had an increase in the SCR (in absolute terms) of £1.096M. There have been decreases of £272,167 and £447,235 in the Underwriting risk and Counterparty risk, whilst an increase of £2,681,086 and £373,930 in the market risk and operational risk respectively.

Minimum Capital Requirement (MCR) is that level of Capital below which will trigger supervisory intervention. It corresponds to the amount of basic eligible Own Funds, under which policyholders

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and beneficiaries are exposed to an unacceptable level of risk, should BICL continue its activity. The MCR amounts to £3.506M (March 2022: £3.126M). Changes in the Minimum Capital Requirement ("MCR") is due to year-on-year changes in the exchange rate.

The following table shows the amount of the Company's MCR, and different factors used in its calculation, which include the:

- best estimate technical provisions;
- net accrued reinsurance premiums during the past year; and
- total net risk capital.

S.28.01.01.01
Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	3,506,176

Figures in GBP (as at 31st March 2023)

S.28.01.01.02
Background Information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Other motor insurance and proportional reinsurance	R0060	78,733	260,077
Fire and other damage to property insurance and proportional reinsurance	R0080	192,498	839,447
General liability insurance and proportional reinsurance	R0090	3	114
Legal expenses insurance and proportional reinsurance	R0110	-	1,013,171
Assistance and proportional reinsurance	R0120	68,640	657,502
Miscellaneous financial loss insurance and proportional reinsurance	R0130	8,260,793	14,161,192

Figures in GBP (as at 31st March 2023)

S.28.01.01.05
Overall MCR calculation

		C0070
Linear MCR	R0300	3,506,176
SCR	R0310	13,013,779
MCR cap	R0320	5,856,200
MCR floor	R0330	3,253,445
Combined MCR	R0340	3,506,176
Absolute floor of the MCR	R0350	3,444,600
Minimum Capital Requirement	R0400	3,506,176

Figures in GBP (as at 31st March 2023)

For the core insurance business, the assumptions were updated to allow for the most recent experience. The methodology used is such that the earned premium on the core insurance business policies (legal expenses) is recognised in terms of the cash flows received during the period. This effectively implies that the Company considers the premium to be earned for

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Solvency Capital determination purposes when the policy is closed. For the other general insurance business, the approach to calculating technical provisions has been detailed above.

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

BICL does not use this option when performing its solvency valuation.

E.4 Differences between the Standard Formula and any internal model used

BICL does not use an internal model in its Solvency calculations but follows EIOPA's Standard Formula for the calculation of its solvency capital requirements.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The eligible own funds of the Company available to cover the MCR are £16.5M (March 2022: 14.8M) amounting to a £13.0M (March 2022: £11.7M) surplus. The eligible own funds of the Company available to cover the SCR are £16.5M (March 2022: £14.8M) amounting to a £3.4M (March 2022: £2.9M) surplus.

E.6 Any Other Information

No additional information warrants disclosure.

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F. Appendices

The following includes the obligatory quantitative information foreseen by Article 75 of Directive 2009/138/CE, based on the instruction in Section S.02.01.02 of the Appendix II to Implementing Regulations (EU) 2015/2452 regarding balance sheets under Solvency II guidelines.

F.1 S.02.01.02 – Balance Sheet as at 31st March 2023

		Solvency II value
		C0010
Assets		
Goodwill	R0010	-
Deferred acquisition costs	R0020	-
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	23,753
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	363
Equities - listed	R0110	-
Equities - unlisted	R0120	363
Bonds	R0130	82
Government Bonds	R0140	-
Corporate Bonds	R0150	82
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	23,307
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	8,919
Non-life and health similar to non-life	R0280	8,919
Non-life excluding health	R0290	8,919
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	397
Reinsurance receivables	R0370	3,040
Receivables (trade, not insurance)	R0380	1,244
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	4,371
Any other assets, not elsewhere shown	R0420	20
Total assets	R0500	41,745

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Liabilities		-
Technical provisions - non-life	R0510	18,215
Technical provisions - non-life (excluding health)	R0520	18,215
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	17,332
Risk margin	R0550	883
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - index-linked and unit-linked	R0690	-
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	708
Derivatives	R0790	-
Insurance & intermediaries payables	R0820	136
Reinsurance payables	R0830	303
Payables (trade, not insurance)	R0840	5,599
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	323
Total liabilities	R0900	25,284
Excess of assets over liabilities	R1000	16,460

figures in thousands of GBP as at 31st March 2023

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F.2 - S.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						
		Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
		C0060	C0080	C0090	C0110	C0120	C0130	C0180
Technical provisions calculated as a sum of BE and RM		-	-	-	-	-	-	-
Best estimate		-	-	-	-	-	-	-
Premium provisions		-	-	-	-	-	-	-
Gross - Total	R0060	55	(482)	0	(201)	(10)	9,858	9,220
Gross - direct business	R0070	55	(482)	0	(201)	(10)	9,858	9,220
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	-	(617)	(0)	(87)	(68)	4,860	4,089
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	-	(617)	(0)	(87)	(68)	4,860	4,089
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	(617)	(0)	(87)	(68)	4,860	4,089
Net Best Estimate of Premium Provisions	R0150	55	135	0	(114)	58	4,998	5,131
Claims provisions		-	-	-	-	-	-	-
Gross - Total	R0160	24	396	(1)	(58)	78	7,674	8,112
Gross - direct business	R0170	24	396	(1)	(58)	78	7,674	8,112
Gross - accepted proportional reinsurance business	R0180	-	-	-	-	-	-	-
Gross - accepted non-proportional reinsurance business	R0190	-	-	-	-	-	-	-
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	-	338	(1)	15	67	4,411	4,831
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	-	338	(1)	15	67	4,411	4,831
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	338	(1)	15	67	4,411	4,831
Net Best Estimate of Claims Provisions	R0250	24	58	(0)	(74)	11	3,263	3,281
Total Best estimate - gross	R0260	79	(86)	(1)	(260)	68	17,532	17,332
Total Best estimate - net	R0270	79	192	0	(188)	69	8,261	8,412
Risk margin	R0280	8	20	0	-	7	849	883
Technical provisions - total	R0320	87	(66)	(1)	(260)	75	18,380	18,215
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	(278)	(1)	(71)	(1)	9,271	8,919
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	87	212	0	(189)	76	9,109	9,296
Cash-flows of the Best estimate of Premium Provisions (Gross)		-	-	-	-	-	-	-
Cash out-flows		-	-	-	-	-	-	-
Future benefits and claims	R0370	82	849	0	0	100	13,177	14,009
Future expenses and other cash-out flows	R0380	6	31	0	0	7	789	832
Cash in-flows		-	-	-	-	-	-	-
Future premiums	R0390	(33)	(1,162)	-	(201)	(117)	(4,109)	(5,622)
Cash-flows of the Best estimate of Claims Provisions (Gross)		-	-	-	-	-	-	-
Cash out-flows		-	-	-	-	-	-	-
Future benefits and claims	R0410	24	369	(1)	535	74	7,334	8,335
Future expenses and other cash-out flows	R0420	0	27	0	80	3	340	459
Cash in-flows		-	-	-	-	-	-	-
Future premiums	R0430	-	-	-	187	-	-	187
Technical provisions without transitional on interest rate	R0470	150	2,245	(1)	2,507	308	26,260	31,468
Technical provisions without volatility adjustment and without others transitional measures	R0490	87	(66)	(1)	(260)	75	18,380	18,215

figures in thousands of GBP as at 31st March 2023

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F.4 - S.23.01.01 Own Funds

S.23.01.01.01
Own funds

		Total	Tier 1 - unrestricted
		C0010	C0020
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35			
Ordinary share capital (gross of own shares)	R0010	8,000	8,000
Reconciliation reserve	R0130	4,671	4,671
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	3,789	3,789
Total basic own funds after deductions	R0290	16,460	16,460
Total ancillary own funds	R0400	-	-
Available and eligible own funds		-	-
Total available own funds to meet the SCR	R0500	16,460	16,460
Total available own funds to meet the MCR	R0510	16,460	16,460
Total eligible own funds to meet the SCR	R0540	16,460	16,460
Total eligible own funds to meet the MCR	R0550	16,460	16,460
SCR	R0580	13,014	-
MCR	R0600	3,506	-
Ratio of Eligible own funds to SCR	R0620	0	-
Ratio of Eligible own funds to MCR	R0640	0	-

Figures in thousands of GBP as at 31st March 2023

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S.23.01.01.02
Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	16,460
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	11,789
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	4,671
Expected profits		-
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	1,660
Total Expected profits included in future premiums (EPIFP)	R0790	1,660

Figures in thousands of GBP as at 31st March 2023

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F.5 S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula at March 31, 2023.

S.25.01.01.01
Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement
		C0030	C0040
Market risk	R0010	3,868	3,868
Counterparty default risk	R0020	942	942
Life underwriting risk	R0030	-	-
Health underwriting risk	R0040	-	-
Non-life underwriting risk	R0050	9,434	9,434
Diversification	R0060	(2,677)	(2,677)
Intangible asset risk	R0070	-	-
Basic Solvency Capital Requirement	R0100	11,567	11,567

S.25.01.01.02
Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	-
Operational risk	R0130	1,447
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	13,014
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	13,014
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	-
Net future discretionary benefits	R0460	-

Figures in thousands of GBP as at 31st March 2023

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F.6 - Linear formula component for non-life insurance and reinsurance obligations as at March 31, 2023.

S.28.01.01.01
Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	3,506

S.28.01.01.02
Background Information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Other motor insurance and proportional reinsurance	R0060	79	260
Fire and other damage to property insurance and proportional reinsurance	R0080	192	839
General liability insurance and proportional reinsurance	R0090	0	0
Legal expenses insurance and proportional reinsurance	R0110	-	1,013
Assistance and proportional reinsurance	R0120	69	658
Miscellaneous financial loss insurance and proportional reinsurance	R0130	8,261	14,161

S.28.01.01.05
Overall MCR calculation

		C0070
Linear MCR	R0300	3,506
SCR	R0310	13,014
MCR cap	R0320	5,856
MCR floor	R0330	3,253
Combined MCR	R0340	3,506
Absolute floor of the MCR	R0350	3,445
Minimum Capital Requirement	R0400	3,506

Figures in thousands of GBP as at 31st March 2023

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