London & Colonial Assurance PCC Plc

Solvency and Financial Condition Report ('SFCR')

for the financial year ended 31 December 2023

Version 1.0

Contents

Executive Summary

Introduction

This report is the Solvency and Financial Condition Report ('SFCR') of London & Colonial Assurance PCC Plc ('LCA' or 'the Company') for the reporting period ended 31 December 2023, pursuant to the Gibraltar Financial Services (Insurance Companies) Regulations 2020.

Business and Performance

LCA is an Insurance Company incorporated on 25 May 2001. Since September 2016 LCA has been part of STM Group Plc, a cross-border financial services group traded on AIM, a market operated by the London Stock Exchange. The Company is authorised to write Class I, Class III, and Class VI business.

LCA had written little new business between April 2015 and June 2019 when two new unit-linked annuity products were launched.

During 2023, premiums received were £9.9m compared to £46.7m in 2022.

Claim payments were £39.7m in 2023 compared to £41.8m in 2022, and expenses were £1.7m in 2023 compared to £1.1m in 2022.

Realised losses on investments for 2023 were £0.5m compared to gains of £0.2m in 2022. Unrealised gains on investments in 2023 were £12.2m, while in 2022 there were unrealised losses of £25.7m.

Further details on the business performance are provided in **Section A. Business and Performance**.

System of Governance

LCA's corporate governance framework ensures that the interests of shareholders, policyholders and other stakeholders are appropriately protected. The Company has adopted the 'Three Lines of Defence' model to ensure appropriate segregation of roles and responsibilities.

The Board of Directors is responsible for setting the business objectives and strategic direction, supervising the operations, ensuring compliance with legal requirements, and for implementing an effective risk management system. The Board has established three sub-committees to deal with certain functions in detail:

- Risk and Compliance Committee,
- Audit Committee and
- Product Governance Committee.

For further details see **Section B. System of Governance.**

Capital Management

The Solvency Capital Requirement (SCR) for LCA is calculated using the Standard Formula.

The Risk Management Function works closely with the Actuarial Function to ensure that:

- the assessment of capital needs is informed by the material risks in the risk register and
- as part of the Own Risk and Solvency Assessment the risks not covered in the standard formula SCR are identified and it is considered if additional capital would be required as a quantitative mitigation.

LCA has maintained own funds in excess of the Minimum Capital Requirement (MCR) and SCR throughout the reporting period.

The solvency position as at 31 December 2023 is as follows:

	Capital Requirement	Eligible Capital	Solvency Ratio
SCR	£4.8 m	£ 12.2m	255.8%
MCR	£ 3.5m	£ 12.2m	349.6%

The solvency ratio is higher than the ratio as at 31 December 2022 (232.9%) mainly as a result of the £0.4m fall in the SCR and the £0.2m increase in Eligible Own Funds.

The valuation for solvency purposes of the assets, technical provisions and other liabilities is documented in **Section D**. **Valuation for Solvency Purposes.**

The Gibraltar Financial Services Commission (GFSC) requires that the Quantitative Reporting Templates (QRTs) are disclosed alongside the SFCR and the QRTs as at 31 December 2023 are published on the Company's website.

Risk Profile

Material risks based on their capital requirements

Insurance Risk

LCA's business does not carry any longevity risk as annuity payments are not guaranteed if the policyholder's fund runs out. LCA carries only negligible mortality risk on the portfolio bonds novated from its sister company STM Life Assurance PCC Plc ('STM Life').

The Life Underwriting Risk Capital reduced in 2023 mainly as a result of the following changes:

- Expense Risk - there is a risk that expenses are higher than anticipated, which would impact the SCR.

  The modelled "per-policy" expense was reduced in 2023 from £598 to £502 per policy as a result of a review of the direct costs that LCA will incur, the split of these costs between acquisition and renewal and the number of in force policies.

- Lapse Risk (the major element of which is the result of the mass lapse shock) and mortality risk are largely unchanged.

Market Risk

As all the insurance business of LCA consists of unit-linked business, much of the investment risk lies with the policyholders, although there is an element of Equity Risk borne by LCA. This Equity Risk arises from collecting fewer charges than anticipated on those unit-linked policies where charges are expressed as a percentage of policy value following an equity shock. A significant fall in market values of the unit-linked assets may lead to the charges collected being lower than anticipated.

Other components of Market Risk include interest risk, spread risk and concentration risk on the non-linked assets.

Overall, Market Risk fell by £0.1m in 2023 compared to 2022.

Operational Risk

As the majority of current LCA business is unit linked, the main element affecting the calculation of Operational Risk is the expenses of running the business (Operational Risk is calculated as 25% of these expenses using the Standard Formula).

Operational risks also represent a significant proportion of the top risks in the risk register. As a relatively small company LCA relies on a number of key employees, as well as on outsourced service providers (affiliated companies). IT Systems adequacy and MI reporting are also key operational risks. The controls mitigating Operational risks are summarised in **Section C.5** below.

Material risks which are not in scope of the SCR

The material risks which are outside the scope of the SCR are documented in **Section C.6**. The key risks are:

Strategic Risk

LCA does not explicitly allocate capital for Strategic Risk; however, the stress and reverse stress tests undertaken consider the impact of certain extreme events relating to strategic risks that could cause significant strain on the Company.

Further details are provided in **Section C.6.1 Strategic Risk.**

Group Risk

Group Risk is a material risk for LCA because a number of key functions are outsourced to affiliated companies within STM Group. There are also loans provided to STM Group. Further details on Group Risk are provided in **Section C.6.2 Group Risk.**

Stress and Scenario Testing

The results of stress testing and scenario analysis for the material risks in the SCR are documented in **Section C7**. The overall conclusion is that LCA is well placed to withstand the stresses.

A. Business and Performance

A.1 Business and Performance

A.1.1 The Company

LCA is an Insurance Company incorporated on 25 May 2001.

The Company is a wholly owned subsidiary of London & Colonial Holdings Limited ('LCH'), which in turn is 100% owned by STM Group Plc, a cross-border financial services group, listed in London on the LSE AIM market.

LCA is a Gibraltar Protected Cell Company subject to the legal provisions laid out in the Protected Cell Companies Act 2001. This means that LCA can create legally recognised 'cells' within the Company in order to segregate and protect each Policyholder's assets. Each cell has its own designation (the policy number), and it is the duty of the Directors to keep the assets and liabilities of each cell separate and therefore accounted for separately whilst observing legislative provisions.

The Company's registered office and operating address is:

Montagu Pavilion

8-10 Queensway

Gibraltar

GX11 1AA

The Company is authorised and regulated by the GFSC. The contact details are:

PO Box 940

Suite 3, Ground Floor Atlantic Suites

Europort Avenue

Gibraltar

Tel:+350 20040283

Fax:+350 20040282

E-Mail: information@fsc.gi

The Company's external auditor is:

Deloitte Limited

Merchant House

22/24 John Mackintosh Square

Gibraltar

GX11 1AA

As at 31 December 2023 LCA had 1,130 policyholders.

A.1.2 Products

The Company is authorised to write Class I, Class III, and Class VI business, and does not offer any financial, tax or investment advice. The products are unit-linked annuities or bonds.

A.1.3 Significant Business Events

- At the start of October 2023, STM Group plc received a formal offer for the business from Jambo SRC Limited, a private company limited by guarantee, which was formed for the purposes of the

Acquisition and is funded by Pension SuperFund Capital. At a Court Meeting held on 6 December 2023, a majority of Independent STM Shareholders voted in favour of the resolution to approve the Court sanctioned Scheme of Arrangement. Since then, the various regulated entities of STM Group plc have submitted change of control applications to their local Regulators. At the date of writing this document the change of control application for LCA remains under review by the Gibraltar Financial Services Commission ("GFSC").

A.1.4 Business Plan Projections

In the next three years LCA will focus on writing the following products:

- Flexible Life Annuity (FLA)
- Flexible Pension Annuity (FPA)

Projected sales for the next three years are set out below:

	Number of Policies		Average Premium Range £'000		Total Premium £'000	
Year	FLA	FPA	FLA	FPA	FLA	FPA
2024	116	21	120 to 750	120 to 1,000	33,860	8,240
2025	282	66	120 to 750	120 to 1,000	83,700	32,340
2026	372	132	120 to 750	120 to 1,000	111,120	64,680

Further details on the business plan are documented in Section 3.2 of the 2023 ORSA report.

A.2 Underwriting Performance

The table below shows the premiums received, claims and expenses:

	2023 £'000	**2022** £'000
New Gross Premiums	9,981	46,735
Gross Claims (including annuity payments)	(39,654)	(41,763)
Expenses (Acquisition & Administration)	(1,662)	(1,112)

Claims in the form of annuity payments, transfers out and the transfer of deceased proceeds to the estates were 5.1% less than in 2022.

Expenses in 2023 were greater than in 2022. A breakdown of the expenses is provided in **Section A.4.2**.

The Unit-Linked premiums for 2023 were £4,019k lower than expected when compared to the original budgeted £14,000k. The average premium received was greater than initially budgeted - £544k vs £250k budgeted for the FLA and £402k vs £400k budgeted for the FPA. The number of policies underwritten was lower than initially budgeted – 23 vs 50 budgeted.

The forecast new premiums for 2024 are £42,100k, which is split £33,860k across 116 FLAs and £8,240k across 21 FPAs.

The Company does not prepare a budget for claims incurred due to the unpredictable nature of when a claim occurs i.e., death of a policyholder, surrender request and the value of the claim.

LCA's existing business is Unit-Linked and therefore a normal volume of claims does not affect the overall profitability of the Company. Moreover, expenses relating to a Policy (i.e., third party fees which are agreed between the Policyholder and their Adviser) are also not budgeted for, as they too do not affect the overall profitability of the Company.

A.3 Investment Performance

The investment return for 2023 compared to 2022 was as follows:

	2023 £'000	**2022** £'000
Investment returns attributable to unit-linked policyholders	11,696	(25,902)
Investment returns on assets held to meet non-linked insurance liabilities	609	335
Investment Return	**12,305**	**(25,567)**

The investment income and investment performance in 2023 on assets held to meet the non-linked insurance liabilities of the Company are as follows:

	2023 £'000	**2022** £'000
Loans & Receivables	87	71
Cash & Other Investments	522	264
Total	**609**	**335**

A.4 Other Material Income and Expense

A.4.1 Overview of Revenue

The principal activity of the Company is that of the provision of life assurance business. The table below provides an analysis of the Company's revenue on a GAAP basis:

Revenue	**2023** £'000	**2022** £'000
Net fee income from authorised activities	2,026	3,477
Income from investments	522	264
Income from Group undertakings	87	71
Total Revenue	**2,635**	**3,812**

Further information relating to the Company's performance can be found in the Income Statement of LCA's Financial Statements for the year ended 31 December 2023.

A.4.2 Overview of Expenses

The table below provides an analysis of the Company’s other operating and administrative expenses on a GAAP basis as presented within the 2023 Financial Statements.

	2023 £’000	**2022** £’000
Staff Costs	876	358
Inter-Company Recharges	151	221
Other Professional Fees*	160	948
Actuarial	51	172
License Fees	86	81
Audit	60	64
Non-Executive Directors Fees	35	36
IT & Communications	88	34
Premise Costs	135	28
Other General Expenses	17	4
Bank Charges	2	2
Depreciation	3	2
Total Expenses	**1,664**	**1,950**

* These expenses include legal costs, professional fees, PI&DO insurance, business developers and tax adviser fees.

The variance in total expenses between GAAP (Table A.4.2) and Solvency II (Table A2) perspectives lies in reclassifying exchange rate losses to other general expenses in the Financial Statements.

B. System of Governance

B.1 Governance Structure

LCA has established an effective corporate governance framework, which is appropriate and proportionate for its size, nature, complexity, and risk profile.

As at 31 March 2023, the LCA Board comprises of one independent non-executive Director, one other Non-Executive director (who acts as Chair of the Board) and two executive directors, the Managing Director, Peter Gatenby and the COO/Finance Director, James Moorehead. In setting its governance arrangements, the Board either reserves decision making powers to itself, or delegates these powers to a Board approved sub-committee or the Managing Director.

The responsibilities of the Board and Committees are summarised in **Section B.1.2** below. The responsibilities of the key functions are documented in the respective sections below.

The material changes in the System of Governance over the reporting period were as follows:

- Peter Gatenby was approved for the role of Interim Managing Director in May 2023.
- David Hatch assumed the role of Risk Function Holder on a temporary basis (subject to regulatory approval) on 1 November 2022. Lance Leatherbarrow took over the role in July 2023.
- David Hatch was approved as Head of Compliance on a temporary (up to six month) basis in April 2023.
- Sally Butters was approved as Actuarial Function Holder on a permanent basis in April 2023 with Independent Peer Review provided by John Burgum of OAC.
- Tracy Scruton was approved as MLRO in March 2023 and appointed DPO in September 2023.
- Scott McEwan was approved as Head of Compliance in September 2023.
- Mike Perry was appointed to the Board in September 2023 as an INED and he chairs the Risk and Compliance Committee and has also assumed the role of Consumer Duty Champion.

B.1.1 Three Lines of Defence

LCA has adopted the 'Three Lines of Defence' model to ensure appropriate segregation of roles and responsibilities across the Company:

The First Line of Defence is performed by the business functions. Their role is to:

- Identify and monitor material risks, implement effective control activities to reduce these risks.
- Perform risk and control self-assessment and record the results in the risk register on a quarterly basis.
- Propose actions to further reduce risks and improve the controls; implement the actions assigned to them.
- Ensure that recommendations for control improvements (from Board and committees, internal audit, or Compliance function reports) in their respective area are implemented.
- Communicate to the Risk Management Function any emerging risks from their respective areas.
- Report any loss events and near miss incidents; co-operate with management on incident investigations.
- Ensure that processes and controls are documented in policies, procedures, flowcharts, and manuals. Ensure that the procedures are followed.

The Second Line of defence is performed by the Risk Management and Compliance functions. They provide assurance to the Board that risks are appropriately identified and mitigated by the business functions, and that internal policies are adhered to. The Actuarial Function plays a role in the Second Line of defence as well by contributing to the Risk Management system (with respect to the risk modelling and the ORSA). Further details of the Second Line of Defence functions are provided in **Sections B.3, B.4.2** and **B.6**.

The Third Line of Defence is performed by the Internal Audit function. It provides independent assurance to the Board on the design and operation of the risk management and internal controls frameworks. Further details are provided in **Section B.5.**

The Second and Third Line of Defence functions are designed to be independent from the First Line of Defence.

B.1.2 Responsibilities of Board and Committees

The key responsibilities of the Board of Directors are:

- Approve the strategy, business plan, financial statements, and Solvency submissions.
- Oversee performance against the business plan.
- Ensure that there is an effective governance structure and internal controls system.
- Ensure that there is an effective risk management framework; define the risk strategy and risk appetite; approve the risk management and internal control policies.
- Ensure that Senior Management takes necessary steps to identify, measure, monitor and control risks to the Company.
- Review the capital requirements relative to the business strategy and risk profile, such that they are assured as to the adequacy of the company's solvency position.
- Ensure compliance with statutory and regulatory obligations.
- Monitor the preparedness of the Company to cope with major disruption by ensuring that business continuity and disaster recovery plans are up to date and regularly tested.
- Oversee the performance of the outsourced functions.

The Board meets at least four times per year.

The Board has delegated authority to a number of committees, which assist the Board in delivering its responsibilities.

The key responsibilities of the committees are summarised below.

Risk and Compliance Committee

The Risk and Compliance Committee assists the Board in its leadership and oversight of risk across the Company. This includes the understanding and, where appropriate, optimisation of current and future risk strategy, risk appetite, risk management framework, and the promotion of a risk awareness culture throughout the Company. The Committee also assists the Board in fulfilling its oversight responsibilities in respect of the integrity of the Company's systems of internal control.

The Committee currently consists of two Non-Executive Directors (one of them independent), and the Managing Director. One of the NEDs chairs the Committee. The Compliance Function holder and the Head of Risk attend meetings of the Committee by invitation.

The responsibilities of the Risk and Compliance Committee are to:

- Ensure that independent, effective, and sufficiently resourced Risk Management and Compliance functions are established and that these functions operate effectively as the second line of defence.
- Review and recommend to the Board for approval the risk management, compliance, and governance policies.
- Make recommendations to the Board concerning the Company's overall risk appetite, tolerance, and strategy.
- Monitor, and advise the Board on the current risk exposures of the Company and future risk strategy.
- Monitor the effectiveness of the Company's internal controls framework and risk management system.
- Review reports on material risks and key risk indicators. Ensure that appropriate actions are taken to manage the risk profile.
- Monitor the effectiveness of internal controls. Approve actions to improve the controls and reduce the risks. Ensure that controls mitigating significant risks are regularly audited.
- Identify and assess the potential impact of emerging risks.
- Monitor the risk events (losses and near misses).

Audit Committee

The Audit Committee consists of two Non-Executive Directors (one of them independent). The iNED chairs the Committee.

The Audit Committee's key responsibilities are to:

- Keep under review the accounting policies; assess the adequacy and effectiveness of the Company's controls over financial reporting.
- Review and challenge where necessary the Company's financial statements (including the actions and judgments of management in relation to them) before submission to the Board.
- Make recommendations to the Board in relation to the appointment of the external auditors and oversee the selection process.
- Discuss with the external Auditors issues such as compliance with accounting standards and any proposals which the external auditors have made in relation to the Company's internal auditing standards.
- Approve the appointment or dismissal of the Internal Audit Function Holder.
- Review the outcome of the internal audit reviews and any resulting recommendations and ensuring appropriate action plans are implemented as a result.
- Monitor and review the Internal Auditor's and external Auditors' independence, objectivity, and effectiveness.
- Review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- Review the Company's procedures for detecting fraud.
- Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

Product Governance Committee

The purpose of LCA's Product Governance Committee is to:

- Ensure that the objectives, interests, and characteristics of customers are taken into account when designing new products or making changes to existing products.
- Ensure that all new and existing products meet LCA's strategic objectives, commercial and technical standards and that any associated risk is evaluated under LCA's risk appetite framework.
- Ensure compliance with statutory and regulatory obligations relating to new and existing products.

B.1.3 Key Functions

As required by the Solvency regulations LCA has established the following key functions:

Key Function	Responsibilities documented in section:
Risk Management Function	B.3.2
Compliance Function	B.4.2
Actuarial Function	B.6
Internal Audit Function	B.5

B.1.4 Remuneration Policy

The Company applies the following remuneration principles through its delegation to the Group Remuneration Committee:

- Reward and remuneration will be clear and up to date with the market so that individuals are motivated, and the Company is able to attract and retain key talent.
- Remuneration packages will be competitive and will recognise the relative remuneration in comparable markets.
- The remunerations are structured in a way that does not encourage excessive risk-taking activities.
- Remuneration consists of a fixed salary, pension, and other benefits.
- Currently there are no budgeted bonus (variable compensation) arrangements in place in LCA. However, the Company outsources its Sales and Business Development activities to a Group function. Roles in that function do have variable compensation arrangements in place across the Group.

Non-Executive Directors’ Fees

Remuneration for Non-Executive Directors comprises a basic fee.

Fees are benchmarked against similar roles in comparable organisations and calculated on an annual rather than a daily basis. However, it is assumed that to fulfil the basic role of a Non-Executive Director, sufficient time and commitment is required each month for review work and attendance at regular Board meetings, the Company's AGM, Special General Meetings (where appropriate), other ad-hoc meetings with regulators and advisers as may be required and training courses.

Non-Executive Directors’ remuneration is not performance related nor pensionable and Non-Executive Directors do not participate in any incentive plans.

Fees for Non-Executive Directors are proposed by the Group Executive Directors and subject to approval of the Remuneration Committee of STM Group’s Board.

Remuneration Committee

STM Group Plc has a Remuneration Committee in place. The Group Head of HR and CEO may be invited to attend the meetings. The Remuneration Committee sets the parameters and framework for Senior Management remuneration across the Group - typically Group Executive members.

Remuneration at the subsidiary level is overseen by local management.

B.2 Fit and Proper

The Company ensures that Board members, senior management, and key function holders (including third-party service providers) comply with the fitness and propriety requirements as defined in the Fit and Proper Policy and summarised below.

Fitness and Propriety Assessment

Assessment of Fitness is the evaluation of the qualifications, skills, knowledge are experience.

Assessment of Propriety is the evaluation of a person’s honesty, integrity, reputation, and financial soundness.

Additional enhanced screening requirements and ongoing Fit and Proper requirements are also applied for individuals who fall within the following categories, as required by the GFSC requirements:

- Executive Management;
- Board members; and
- Key Function Holders.

During the recruitment process the following information is taken into account for fit and proper assessment:

- Interviews, case studies, role plays, knowledge and skills tests, and other recruitment assessments.
- Employment history and experience e.g., CV.
- Employment and character references.
- Identity verification, financial sanctions checks, and work permit checks.
- Financial services register and Companies House checks.
- Qualifications checks e.g., certificates, membership of professional bodies.
- Background financial checks e.g., credit checks.

- Background criminal checks e.g., disclosure and barring service.
- Background reputational and disciplinary/enforcement checks.
- Regulatory authorisation application form declarations.
- The candidate's openness and co-operation in providing such information when requested.

All staff members (regardless of role) are required under their contract of employment to observe and act in accordance with the Company's Code of Ethics and Conduct.

The Company has a 'Fit and Proper' policy including a Fit and Proper declaration applicable to all key function holders. It requires information in respect of the following matters:

- Financial difficulties, arrangements with creditors, bankruptcy.
- Criminal prosecutions, civil proceedings.
- Complaints.
- Disciplinary matters.
- Business interests.

Board members are expected to collectively possess appropriate qualifications, experience, and knowledge about the following areas:

- Insurance and financial markets.
- Business strategy and business model.
- System of governance.
- Financial and actuarial analysis.
- Regulatory framework and requirements.

B.3 Risk Management Systems Including the Own Solvency and Risk Assessment

B.3.1 Risk Management System

Risk management is a continuous process which allows for an appropriate understanding of the nature and significance of the risks that the Company is exposed to, and the Company's ability to identify, assess, control, and mitigate them. The effective management of risks is essential to the successful delivery of LCA's business strategy and objectives.

Risk Management is integrated (embedded) within the day-to-day operations and decision-making processes. This is achieved through:

- the consideration and use of risk and capital MI reports at Board and Committee level when setting business strategy, developing new products, implementing business change projects etc.
- the use of Risk Appetite Statement monitoring reports and Risk Register MI reports for decision making.
- Business functions identifying, assessing, monitoring, and reporting risk exposures.

The risk management strategy is documented and, together with the supporting risk policies, is subject to regular review, update, and approval.

LCA adopts a 'Three Lines of Defence' approach to managing risk, it is documented in **Section B.1**. There are defined roles and responsibilities for the ownership, oversight, and management of risks.

Risk Appetite

The business strategy has been converted into key strategic risk appetite measures which are documented in the Risk Appetite Statement. Risk Tolerances are the metrics used for monitoring each risk appetite category. Actual exposure against tolerance limits is monitored by the Risk Management Function and any risk appetite breach is reported to the Risk and Compliance Committee and the Board.

The Risk Appetite Statement is reviewed and updated annually by the Risk and Compliance Committee and the Board.

Risk Identification, Assessment and Mitigation

The Risk Management Function supports Management and the business in identifying all material risks. Management is responsible for ensuring that there are effective internal controls mitigating each risk.

The material risks are documented in the risk register and are subject to quarterly self-assessment by risk owners who assess the probability of the risk materialising and its impact on the business. The control owners perform quarterly self-assessments of the design and operation of controls. The Risk Management Function provides challenge to the risk and control owners' assessment.

Risk Management Reporting

The Risk and Compliance Committee and the Board review Risk MI reports on a quarterly basis, including outputs from the risk register and the risk appetite assessment. The Risk Management Function ensures that any actions and recommendations from the committee and Board meetings are implemented.

B.3.2 Risk Management Function

The key responsibilities of the function include:

- Develop, implement, and maintain the Risk Management Framework and associated risk policies.
- Monitor the consistency of application and embedding of the risk management framework across the Company.
- Assist the Board in developing the Risk Appetite Statement.
- Identify and assess the impact of emerging risks.
- Undertake second line monitoring to assess whether the first line of defence is operating effectively.
- Provide regular risk reporting to the Board.
- Coordinate the Own Risk and Solvency Assessment processes and prepare the ORSA report.
- Facilitate the stress, scenario, and reverse stress testing.
- Investigate any reported near-misses or loss events.
- Provide advice and training to business functions and the Board on risk and control-related matters.
- Coordinate assurance activities with the Compliance and Internal Audit functions.

The Risk Management Function works closely with the Actuarial Function to ensure that:

- the assessment of the capital needs is informed by the assessment of the material risks; and
- the risks not covered in the standard formula are identified and it is considered whether additional capital is required as a quantitative mitigation.

To ensure independence, the Risk Management Function has a reporting line to the Risk and Compliance Committee.

B.3.3 ORSA

Own Risk Solvency Assessment ('ORSA') is defined as the entirety of processes and procedures employed to identify, assess, monitor, manage and report the current and emerging risks that the Company faces (or may face) and to determine the own funds necessary to ensure that overall solvency needs are met at all times.

ORSA informs the Board about the material risks and capital requirements over the coming years thus helping the Board to make strategic decisions.

ORSA Processes

The key processes that form part of the ORSA include:

- Risk appetite/Tolerance statements (and their ongoing monitoring);
- Business planning processes (and ongoing monitoring of the implementation of the plan);
- Risks and controls assessment (documented in the risk register);
- Emerging risk assessment;
- Assessment of the risks that are not covered by the Standard Formula SCR (e.g., Group risk, Strategic risk);
- Consideration as to whether additional capital is required as a quantitative mitigation;
- Assessment of the risk profile vs. the assumptions underlying the Standard Formula;
- Actuarial Function's assessment of compliance with technical provision requirements over the business planning period and the potential risks arising from the uncertainties connected to the technical provision calculation;
- Stress and scenario testing (including reverse stress tests); and
- Three-year capital projections and solvency assessment.

The Company has determined that the standard formula would be used to calculate the required solvency capital and to assess overall solvency needs.

A three-year base-case projection of the Solvency Balance Sheet and solvency capital requirement position is produced. This is based on a number of key assumptions about the level of new business, economic and demographic risks, insurance risks including morbidity, lapses, and future expenses.

These projections are then subjected to a range of stress tests in robust downward scenarios including stresses for lower-than-expected new product sales, worsening morbidity, lapses, and expenses over and above assumptions. The results of stress and scenario testing provide an indication of how much capital might be needed to absorb losses should large shocks occur. A range of events that could threaten the Company's business model (reverse stress tests) are also considered.

The Risk and Compliance Committee are involved in selecting the scenarios, and the Board is responsible for discussing the results and approving any management actions. Further details are provided in **Section C.7.**

ORSA Report

LCA's ORSA process operates continuously throughout the year with a full ORSA report produced annually for the Board.

Monitoring of critical metrics from the ORSA is carried out on a quarterly basis through regular risk and capital MI reporting to the Risk and Compliance Committee.

The Risk and Compliance Committee can decide that an ORSA update is required outside of the annual cycle and recommend to the Board a timetable for the completion of the report. The circumstances that may trigger the need for an ORSA outside the regular timescales are documented in the ORSA Policy and Process document.

The ORSA report is subject to independent review by an external actuary, while the ORSA process is subject to independent review by the Internal Audit Function.

Use of ORSA Results

The ORSA results are used for decision making, for example:

- The ORSA results are an integral input to business planning and strategic decision making.
- When developing new products, changing, or discontinuing existing products the Board would consider the impact on the capital and risk position of the Company.
- The results from the ORSA capital projection are used for capital planning to ensure the continued solvency is maintained.
- New risks associated with the business plan can be identified during the ORSA, in which case the risk appetite statement may have to be updated and new procedures and controls for managing the risks will have to be implemented.
- Highlighting risk appetite breaches would require the Board to agree risk-reduction actions, or to decide that the risk appetite tolerance is not appropriate any longer and requires update.

B.4 Internal Control Systems

B.4.1 Internal Control Framework

The internal control framework is designed to:

- Mitigate risks and reduce the likelihood of losses, reputational damage, or other adverse outcomes for the Company.
- Ensure compliance with legal and regulatory requirements.
- Ensure the accuracy of financial, management and regulatory reports.

The control framework includes the following elements:

- Effective corporate governance framework.
- Segregation of duties - applying the 'Three Lines of Defence' model (see **Section B.1.1** for further details).
- Assignment of clear responsibility and authority across the business.
- Training of staff to ensure that they understand their responsibilities in relation to internal controls.
- Regular review and approval of policies, procedures, and terms of reference.
- Prevention of financial crime (fraud and money laundering).
- Monitoring and review of management and financial reports.
- Records keeping.
- IT system and data security controls.
- Safeguarding of assets.

LCA's Management is responsible for establishing, maintaining, and promoting effective internal controls.

The controls mitigating material risks are documented in the risk register. The design and operational effectiveness of controls are assessed on a quarterly basis and any ineffective controls are reported to the Risk and Compliance Committee, which ensures that actions are taken to address the underlying issues.

Risk events (near-misses or loss events) are recorded and investigated. If they result from control failings Management takes actions to prevent their reoccurrence.

B.4.2 Compliance Function

The Compliance Function is a key function which is approved by the Regulator as a controlled function (Compliance Oversight). This key function is held by the Gibraltar Head of Compliance and the compliance activities are outsourced to STM Fidecs Central Services Limited.

The Compliance Function is established as an independent control function operating under a Terms of Reference and Target Operating Model. The Compliance Function is not engaged in areas of the business which could create a conflict of interest.

The function has access to all information necessary to carry out its responsibilities and is responsible for reporting to Management any breaches or non-compliance with policies, rules, and regulations.

The role and responsibilities of the Compliance Function are documented in the Compliance Manual. The function’s key responsibilities are:

- Advice and guidance – to support the business in respect of regulatory requirements and to make sure that any new regulatory rules are communicated to the relevant business areas.
- Develop compliance policies and procedures.
- Compliance monitoring – to assess the appropriateness of compliance controls and make sure that a monitoring plan is produced and implemented.
- Training – making sure that employees receive regulatory training and information.
- Liaise with the regulator(s) in order to develop and maintain open and cooperative relationships.
- Regulatory reporting– to respond to regulatory requests for information and submit reporting and information as required.

The Compliance Function reports to the Risk and Compliance Committee and the Board on a quarterly basis.

B.5 Internal Audit

B.5.1 Internal Audit Policy

The Internal Auditor performs the Third Line of Defence and provides independent assurance on the effectiveness of the risk management, governance, and internal control systems.

The Internal Audit Function is outsourced to STM Group. The internal auditor has unrestricted access to all areas of the business and has direct access to the Chair of the Audit Committee. The role and responsibilities of the function are documented in the Group Internal Audit Charter.

Audit findings are reported to Management and to the Audit Committee, and feed into the risk assessment process. The Internal Audit Function monitors the implementation of the audit recommendations.

B.5.2 Internal Audit Plan

The Internal Audit Function prepares a risk-based audit plan on an annual basis. The plan ensures that all material risks are subject to a review at least once every 5 years.

The plan is flexible so that changes can be made during the year as a result of changes in priorities, external conditions, and materiality of risks.

B.6 Actuarial Function

The Chief Actuary is the Key Function Holder of the Actuarial Function. She is a qualified actuary who is a Fellow of the Institute and Faculty of Actuaries and is complying with the specific professional obligations this requires.

The key responsibilities of the Chief Actuary are to:

- Ensure the appropriateness of the methodology, assumptions, systems and controls for actuarial calculations and reports.
- Contribute to the effective risk management system through modelling of risks and actuarial forecasts that form part of the ORSA process.
- Prepare regulatory reports on technical provisions and solvency capital requirements.
- Provide actuarial advice to the Company's senior management and Board.
- Contribute to the stress and scenario testing and reverse stress testing.
- Prepare the Actuarial Function report for the Board on an annual basis.
- Provide actuarial opinion on data quality and underwriting effectiveness.

B.7 Outsourcing

LCA benefits from the available expertise within STM Group. The Company outsources some of its key functions to the following affiliated companies:

Affiliated Service Providers:	**Function / Work performed**	**Jurisdiction**
STM Group Plc	IT Services	UK
STM Group Plc	Human Resource Management	UK
STM Group Plc	Internal Audit Services	UK
STM Group Plc	Product Development, Sales, and Marketing	UK
STM Group Plc and STM Fidecs Central Services	Compliance Services	UK & Gibraltar
STM Fidecs Central Services	Company Secretarial Services	Gibraltar
STM Fidecs Central Services	Finance Function	Gibraltar
STM Life	Policy Administration for the Novated policies	Gibraltar

The Company applies the Fit and Proper procedures in assessing persons employed by the service provider to perform an outsourced key function.

The Board maintains oversight of the performance of the key outsourced functions.

C. Risk Profile

Risk categories based on their capital impact are as follows:

	2023 £'000	2022 £'000
Life Underwriting Risk	3,499	3,681
Market Risk	2,164	2,232
Counterparty Risk	201	341
Diversification	(1,245)	(1,377)
Basic SCR	**4,620**	**4,876**
Operational Risk	156	289
SCR	**4,776**	**5,165**

The material risks based on their capital contribution are Underwriting Risk and Market Risk. The key risk drivers and the reasons for the changes in the 2023 numbers compared to 2022 are explained in the sections below.

The most significant changes between 2023 and 2022 affecting the figures are as follows:

- The "per-policy" expense reduced from £598 to £502.
- Market Risk has reduced slightly by £0.1m from 2022 to 2023 mainly due to lower concentration risk as a result of changes in the holdings exposed to this risk.

C.1 Insurance Risk

Underwriting Risk

Underwriting Risk arises when premiums and investment income are insufficient to pay the contractual benefits on a policy, or when the actual demographic experience and/or expenses of administering a group of policies is worse than assumed in the calculation of best estimate liabilities.

Reserving Risk

Reserve Risk arises from the inherent uncertainty surrounding the adequacy of the reserves set aside to cover insurance liabilities.

C.1.1 Risk Assessment

Risk Category	2023 £'000	2022 £'000
Expense Risk	883	1,265
Lapse Risk	2,955	2,858
Mortality Risk	194	200
Diversification within risk module	(533)	(642)
Life Risk SCR	**3,499**	**3,681**

The approach to valuation of technical provisions is documented in **Section D.2**.

The key risks are as follows:

Expense Risk

The expense risk calculation involves testing an immediate increase of 10% in expenses that are not fixed and future inflation of expense of 1% per annum above the best estimate inflation assumed.

In 2023, the "per-policy" expense was reduced from £598 to £502 as a result of a review of the direct costs that LCA is likely to incur, the split of those costs between acquisition and renewal and the number of policies in force.

Overall, Expense Risk has reduced in 2023 in comparison to 2022 by £0.4m.

Lapse Risk

This is the risk that a policyholder lapses or surrenders their policy earlier than expected resulting in a loss of future profits to the Company. The main lapse risk that the Company is exposed to is that of higher lapses than expected meaning that charges collected will be lower than expected and hence the difference between charges and costs will be smaller than expected. This leads to a lower-than-expected future profit.

The effect of lower per policy expenses is to make the in-force business more profitable in future years. Offsetting this, the lower number of policies leads to lower future profits.

Overall, it is the mass lapse shock which provides the majority of the lapse risk capital requirement which has increased by £0.1m from 2022 to 2023.

Mortality Risk

This risk is not relevant to the historic unit-linked contracts written by LCA. However, there is an element of Mortality Risk for the policies novated from STM Life in that most provide an additional sum assured on death of 1% of the value of the assets capped at £2,000 for some policies and £200 for others.

Longevity Risk

This risk is not relevant to the type of unit-linked contracts written by LCA.

C.1.2 Risk Mitigation

The Company has processes in place to monitor each of the insurance risks:

- Pricing adequacy is regularly assessed.
- The Chief Actuary is responsible for the reserving policy and for informing the Board of the reserving requirements on a quarterly basis.
- Controls are in place to ensure that reserving processes are adequate, and that reserving data is complete and appropriate.
- Lapse Risk in the early years is mitigated by having early surrender charges for the unit-linked policies.
- There is regular monitoring of lapse and expense assumptions.

The Company does not have any reinsurance in place.

C.1.3 Risk Sensitivity

The Company assesses Underwriting and Reserving Risks by considering a number of stand-alone stress tests and scenarios affecting material demographic and expense assumptions in its ORSA. The analyses consider the impact of an immediate shock to the starting balance sheet in addition to the impact on its forward-looking assessment of the future balance sheet position. The results are presented in **Section C.7**.

C.2 Market Risk

Market risk can cause the Company to suffer losses as a result of inappropriate investment strategy or unfavourable fluctuations in the financial markets.

C.2.1 Risk Assessment

Risk Category	**2023** £'000	**2022** £'000
Concentration Risk	818	1,135
Equity Type 1 Risk	1,952	1,851
Interest Rate Risk	397	462
Currency Risk	26	27
Spread Risk		0
Diversification within risk module	(1,028)	(1,243)
Market Risk SCR	**2,164**	**2,232**

There was a slight reduction in Market Risk capital requirement in 2023 compared to 2022 mainly as a result of the fall in Concentration Risk.

The elements of Market Risk are:

Equity Type 1 Risk

No shareholder funds are invested in equities by LCA.

Equity Risk arises from the fact that anticipated future charges may not be collected following a large fall in equity values for those policies where the charging basis is a percentage of policy value rather than a percentage of the initial premium.

There is some protection against this risk in that each policy is subject to a minimum charge expressed in GBP.

Equity Type 1 Risk rose in 2023 compared to 2022 mainly as a result of an increase in the prescribed equity shock from 36.10% to38.94%.

Interest Rate Risk

Interest Rate Risk arises when a fluctuation in interest rates adversely affects the Company's SCR coverage. Both an increase and a decrease in interest rates are tested and the basic SCR is based on the more onerous reduction in interest rate scenario. This is driven by the basic SCR in respect of the assets backing the Own Funds.

The Own Funds are invested in fixed interest assets and thus there is a small, beneficial exposure to interest rate movements.

Currency Risk

This is not a risk that LCA is exposed to as all unit-linked assets are in GBP.

Concentration Risk

Concentration Risk tests the resilience of own funds against the diversification of a portfolio of assets. The Concentration Risk for LCA arises from the term deposits used to back the Preference Shares and loans provided to STM Group.

The reduction in loans combined with changes in the term deposits led to a fall in concentration risk of £0.3m in 2023 compared to 2022.

Spread Risk

There are no assets held which are subject to spread risk.

C.2.2 Risk Mitigation

Investment of shareholders' funds is undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The Company has processes in place to mitigate Market Risks relating to shareholders' funds:

- The Company ensures that the 'Prudent Person Principle' is applied when investing the shareholders' assets (following the counterparty credit limits and concentration limits).
- The Company's risk appetite statement sets thresholds for Market Risk as a proportion of the undiversified basic SCR.
- If there is a significant reduction in asset values, the Company will consider reducing management expenses and increasing charges where possible. Within the LCA policies terms and conditions, there is a provision for fees to be changed subject to giving policyholders at least 30 days' notice. The Board will review whether making such increases in charges treats our customers fairly and if so, a cost-of-living increase will be applied to the charges. A cost-of-living increase can be applied to the novated STM Life policies as well, in accordance with their terms and conditions.

C.2.3 Risk Sensitivity

The Company has assessed the sensitivity of the SCR coverage to a number of scenarios involving an instantaneous shock to the risk-free yield curve such that risk-free rates were assumed to be zero. This was performed on both a stand-alone basis and combined with the demographic assumption shocks.

As Market Risk is such a small element of the SCR, the shocks tested do not have a significant effect on SCR coverage.

C.3 Credit Risk

The only material Credit Risk that the Company faces is Counterparty Default Risk.

This risk arises when counterparty is unable to fulfil its obligations to the Company, thereby leading to a loss of the Company's financial assets.

C.3.1 Risk Assessment

	2023 £'000	**2022** £'000
Counterparty Risk	201	341

The funds held in bank accounts are the main element of this risk.

C.3.2 Risk Mitigation

The key mitigating control for Credit Risk is:

- The risk appetite statement sets thresholds for counterparty exposure in terms of monetary limits per counterparty and credit quality standing of counterparties. These are monitored regularly by the Risk and Compliance Committee and the Board.

C.3.3 Risk Sensitivity

Credit (Counterparty) Risk is not a material risk for the Company's SCR.

C.4 Liquidity Risk

Liquidity Risk arises when the Company is unable to meet its payment obligations as and when they fall due.

C.4.1 Risk Assessment

Liquidity Risk

Liquidity is not a material risk for the Company since policyholder liabilities are unit-linked liabilities.

C.4.2 Risk Mitigations

Liquidity Risk is managed within the risk management and internal control frameworks. The Company ensures that sufficient liquidity is maintained to meet both immediate and foreseeable cash flow requirements.

The following controls mitigate Liquidity Risk:

- investment strategy that ensures significant portion of liquid assets are kept in the portfolio;
- asset-liability matching ensures that there are sufficient funds when payments are due; and
- cashflow projections and monitoring.

C.4.3 Expected Profit Included in Future Premiums

This requirement does not apply to LCA.

C.5 Operational Risk

Operational Risks arise from inadequate or failed processes and systems, as a result of human error or due to external events. These risks can impact the financial results of the Company, its operations or reputation.

C.5.1 Risk Assessment

As all LCA business is unit-linked, the main element affecting the calculation of Operational Risk is the expenses of running the business with Operational Risk calculated as 25% of these expenses using the standard formula.

C.5.2 Risk Mitigation

Operational Risk is managed through:

- Effective corporate governance, including segregation of duties, avoidance of conflicts of interest, clear lines of management responsibility, management information (MI) reporting.
- A strong internal control culture.

- Staff training/awareness of the control responsibilities relating to their roles.
- Appropriate and secure IT systems.
- Ensuring compliance with regulatory requirements.
- Recruiting/retaining adequately skilled staff, adequate performance assessment system.
- Procedures to minimise internal/external fraud.
- Ensuring accurate and timely financial and other external reporting.

Disaster recovery and business continuity plans are put in place and take into account different types of plausible scenarios to which the Company's operations may be subject to.

Operational Risk exposures are monitored through the risk register and the risk appetite. There are defined key risk indicators which act as early warnings for increased risk of potential losses.

C.5.3 Risk Sensitivity

Operational Risk is not a key risk driver for the SCR.

C.6 Other Material Risks

Certain risks are not in the scope of the SCR, however they are considered material for the Company and are monitored through the Risk Appetite Statement and the Risk Register. They are also considered in the stress and reverse stress testing process. These risks are as follows:

C.6.1 Strategic Risk

The failure to define or implement appropriate business strategy could result in financial losses and reputational damage. To mitigate this risk LCA is monitoring the market and competitive conditions, legal and regulatory changes, and customer demand to decide if strategic adjustments are necessary. The Board also monitors the implementation of the strategy, business plan and business change projects on an ongoing basis.

LCA does not explicitly allocate capital for Strategic Risk, however the stress and reverse stress testing consider the impact of certain extreme events relating to these risks.

An important element of LCA's strategy is to write sufficient new business to cover the policies that go off the books as a result of deaths and surrenders. In 2023, the Company did not write sufficient new business and consequently, the in-force portfolio reduced by 66 policies. There is clearly a strategic risk that if LCA fails to write sufficient new business and the in-force book of business continues to decline, per policy expenses will rise at a more rapid rate than economic inflation and solvency coverage will reduce.

C.6.2 Group Risk

Outsourcing to Group

LCA benefits from operational support through the services provided by Group functions as discussed in **Section B.7**. The Outsourcing Risk is mitigated by monitoring the performance of the outsourced services in accordance with the Outsourcing Policy and in line with documented Service Level Agreements.

The risk of failure of a Group company providing services to LCA is estimated as low due to the financial stability of STM Group. If this risk does materialise, the Board could outsource these services to external providers or alternatively, they could be brought in-house.

Group-wide Professional Indemnity (PI) insurance policy

LCA benefits from a Group-wide PI insurance policy in exchange for contributing to the insurance premium. There is a risk that another company within the Group could receive a number of complaints that result in significant PI claims, which could increase the insurance premium and consequently LCA's costs. Also, the terms of the PI insurance could become less favourable in the following years as a result of the claims experience e.g., significantly higher excess and/or buffer payments, which could increase the costs relating to future claims by LCA.

Group Loans

LCA has provided loans to the ultimate parent company originally totalling £2m. Repayment schedules are in place for the three loans, the first of £1m and two separate loans of £500k. At the end of 2023, the outstanding amount of the three loans was £1,069k.

Transactions with Group companies

The transactions with Group companies in 2023 are as follows:

Group Company	Type of transaction	2023 £'000	2022 £'000
STM Group & LCH	Interest received on the loans provided	87	71
STM Life	Administration fees for outsourcing services (administration of the novated policies)	0	(358)
STM Group	Head Office recharges paid (covering the cost of services like Group Internal Audit, Group Risk Management, Marketing, Business Development), calculated as 3% of net revenue.	(76)	(86)
STM Group	IT Staff Costs	(42)	(19)
STM Fidecs	Fees paid for outsourcing services	(33)	(116)

The material outstanding balances from Group companies as at 31 December 2023 are as follows:

Group Company	Type of transaction	2023 £'000	2022 £'000
STM Group	Loans to STM Group & LCH	1,069	1,578
STM Group	Capitalisation of staff costs re: BOSS Project	68	40
STM Life	Administration fees payable	(0)	(106)

C.6.3 Reputational Risk

Reputational Risk arises from the negative perception on the part of customers, Independent Financial Advisers, shareholders, investors, or regulators which can adversely affect LCA's ability to maintain existing, or establish new, business relationships.

The Company's brand and reputation could suffer as a result of:

- Internal event (e.g., material failure of internal control, financial reporting errors) or
- External events beyond our control (e.g., negative publicity for another subsidiary in the Group).

The risk is mitigated by:

- appropriate governance framework and effective operation of the three lines of defence,
- effective risk management and internal controls framework,

- strong culture of compliance with laws and regulations, and
- the Board’s and Committees’ oversight of the business.

C.6.4 Conduct Risk

Conduct Risk has the potential to arise if the Company’s behaviour results in poor customer outcomes. The risk is inherent in any operation that provides products or services to customers.

Delivering good customer outcomes is a key driver in building a valuable, sustainable business and is a key measure as part of the LCA’s risk appetite.

LCA’s products are distributed through regulated intermediaries, which mitigates the exposure to direct sales and distribution. Conduct Risk is further mitigated by a number of controls:

- The design of Company’s products is aligned with policyholders' needs.
- The Compliance Function is part of the product documentation and marketing materials sign off process.
- Products’ key features are communicated to the policyholders.
- The Product Governance Committee approves any new products or product changes.
- Distribution is through regulated intermediaries.
- There are effective onboarding controls.
- There are complaints procedures and controls in place; complaints are monitored by the Board.
- Training is provided to employees.

C.6.5 Risk Exposure arising from Off-balance Sheet Positions

There are no risk exposures arising from Off-balance Sheet positions.

C.7 Stress and Scenario Testing

Stress testing and Scenario testing include consideration of single stresses and multi-faceted scenarios across all material risk categories to assess LCA’s ability to meet the capital requirements under stressed conditions.

The risks considered in the scenario testing in the 2023 ORSA included:

- No new business, new business higher & lower than planned.
- Assets Values reduced/increased permanently by 25%.
- Per policy expenses increase by 10%.
- Long term inflation of expenses increases to 3% per annum from 2% per annum.
- Compensation payments as a result of distressed assets.
- A number of combined scenarios.

The results of the testing show that in all cases the Solvency Ratio over SCR would be in excess of the minimum target of 140% set by the Board and in all cases above 100%. The conclusion is that LCA is well placed to withstand the stresses documented above.

In addition, a reverse stress test including compensation payments as a result of distressed assets, no new business, higher per policy expenses and higher operational risk was run, which led to the main solvency ratio falling to just above 100% although the ratio over the AMCR remained above 159% throughout the 3-year projection period.

D. Valuation for Solvency Purposes

D.1 Assets

Summary of asset valuation

The table below sets out the valuation of the Company's assets on a GFRS102 and Solvency basis as at 31 December 2023 and 31 December 2022:

Assets (£'000)	2023		2022	
	GFRS 102	Solvency	GFRS 102	Solvency
Investments – Cash	2,291	2,291	4,138	4,138
Investments - Bond and Deposits	1,839	9,990	17,812	17,812
Assets held to cover linked liabilities and class 1 liabilities	277,218	259,122	278,917	263,775
Debtors	1,356	1,356	1,792	1,792
Other assets	12	7,935	7	7,593
Prepayments and accrued income	21	21	30	30
Total assets	**282,737**	**280,715**	**302,696**	**295,140**

The figure for "Assets held to cover linked liabilities" is greater in the GFRS102 figures than the Solvency assets. The reason for this difference is the treatment of the assets left when an annuitant dies and the policy ceases. In the Solvency balance sheet these assets are removed from "Assets held to cover linked liabilities" and included in "Other assets" whereas for the GFRS 102 figures they remain in "Assets held to cover linked liabilities".

Fair value measurement

In accordance with the Delegated Regulation, Solvency figures are based on fair value. Where applicable, the Company measures the fair value of a financial instrument using the quoted price in an active market for that instrument.

Bonds – including Government bonds, Corporate bonds, and Collateralised securities.

Government bonds consist of UK government gilts and treasury bonds. The valuation of gilts is based on level 1 methodology of the fair value hierarchy, whilst the valuation of treasury bonds and other fixed-interest securities (including corporate bonds and collateralised securities) are based on the level 2 methodology of the fair value hierarchy.

Deposits other than cash equivalents

Deposits other than cash equivalents consist of cash held on fixed term-deposits with a maturity date greater than 3 months and cash held with investment managers for investment purposes. The valuation of this is the total cash balances held and includes the interest accrued on the deposits up until the balance sheet date.

Assets held for index-linked and unit-linked contracts

The valuation of these assets is consistent with the fair value hierarchy.

Insurance and intermediaries' receivables

The valuation of these assets follows the Solvency fair value hierarchy.

Property, plant & equipment held for own use

Property, plant & equipment are held at fair value following the Solvency level 2 and level 3 of the fair value hierarchy.

Cash and cash equivalents

This consists of highly liquid cash holdings held and valued at their actual balances.

Receivables (trade, not insurance)

The valuation of these assets follows the Solvency fair value hierarchy.

Any other assets, not elsewhere shown

The valuation of these assets follows the Solvency fair value hierarchy.

D.2 Technical Provisions

Analysis of Technical Provisions

The table below shows the technical provisions split by line of business and between the best estimate liability and risk margin as at 31 December 2023.

Analysis of Technical Provisions (£000s)	**Solvency 2023**	**Solvency 2022**
Unit Linked liabilities (BEL – Non STA)	259,122	263,775
Non-unit liabilities (BEL – Non STA)	(7,982)	(7,949)
Non linked liabilities (BEL – STA)	8,151	16,372
Risk Margin	702	2,005
Total	**259,994**	**274,202**

Overall technical provisions have reduced by £13.9m over the year mainly as a result of the lower value of unit linked assets and liabilities which in turn is due mainly to the lower number of in-force policies. The reduction in the BEL – STA reflects the annuity payment made.

The unit-linked non-unit reserve is similar whilst the risk margin is £1.3m lower as a result of the change to the cost of the capital and the introduction of tapering.

The best estimate Solvency II cash flows are valued on a market consistent basis using UK specific risk-free discount rates prescribed by GFSC.

Where the best estimate of liabilities for a group of similar contracts is negative, this has been allowed in the Solvency technical provisions.

An additional risk margin is required under the Solvency regulations. This represents the cost of capital that another insurance undertaking would require to take on the Company's insurance liabilities using the 4% cost of capital rate and allowing for the taper. This was a change in the regulations from 31 December 2022 when the cost of capital was 6% and there was no tapering.

Main Assumptions

Discount Rates

The valuation interest rates used to discount the best estimate liability and risk margin are the relevant basic sterling risk free term structure of interest rates as at 31 December 2023 and provided by the Prudential Regulation Authority ('PRA').

The five-year discount rate decreased by about 0.7% during 2023 reflecting the change in the term structure of risk-free interest rates in the year.

Expenses

Best estimate "per-policy" expenses are as agreed with the service company which is currently being established.

Salary related expenses are assumed to inflate in line with the Consumer Price Index and other expenses in line with general inflation expectations using the Retail Price Index as a benchmark.

The "per-policy" expense assumption reduced as at 31 December 2023 is covered in more detail in **Section C.1.1** above.

Lapses

Lapse assumptions are derived using actual experience and have regard to current trends in experience and, where appropriate the duration of the contract.

Lapse rates were updated to reflect relevant actual experience over recent years and were increased in 2023 compared to 2022.

Mortality Assumptions

Mortality assumptions are set based on standard actuarial tables of mortality rates. Different rates are assumed for males and females.

Methodology

Technical Provisions are defined as the sum of the Best Estimate of Liabilities and the Risk Margin. The best estimate and risk margin are calculated separately.

Best Estimate of Liabilities

The Company has two databases, one for the old LCA policies plus recent new business and the second for the policies novated from STM Life, from which individual policy data is extracted and validated for completeness and accuracy. This data is used to calculate the Technical Provisions and Solvency Capital Requirement and has passed an appropriate level of control.

The best estimate of insurance liabilities is calculated on a policy-by-policy basis for all contracts accepted on risk at the valuation date using a cash flow approach and generally accepted actuarial practices. The calculations generate probability weighted cash flows for each monthly time period within a policy's contract boundary. The cash flows are discounted using the prescribed risk-free yield curve and thus allow appropriately for the time value of money.

If the present value of future cash flows on a contract gives rise to a negative best estimate of liabilities, this has been allowed.

Risk Margin

The total risk margin is calculated as the sum of the present values of the cost of capital rate applied to the SCR of a reference undertaking, willing to take on the Company's insurance portfolio, in each future year until the obligations are extinguished and there is no remaining SCR. The future SCRs are modelled using a permitted simplification whereby the SCR is assumed to be proportional to the projected best estimate of liabilities for each group of similar contracts. If a contract has a negative best estimate of liabilities, projected policy volumes are used to run off the SCR.

The risk margin has been calculated by applying the Company's capital requirements arising under the standard formula SCR Life Risk Module as well as a subset of the Counterparty Risk Module directly to the reference undertaking without adjustment. Market Risk and remaining Counterparty Risk are assumed to be fully hedged.

Uncertainty in the Technical Provisions

Uncertainty arises from actual experience being different to the assumptions used in the calculation of the best estimate of liabilities. The most significant source of uncertainty is lapse rates. In particular this affects the BEL non-unit reserve.

GAAP reserves versus Solvency II Technical Provisions

All figures in £s

	GAAP Reserves	Solvency Technical Provisions
Unit Reserve for UL business	259,122,412	259,122,412
Non-unit Reserve for UL business	0	(7,982,176)
Non-unit Reserve for STA business	8,151,452	8,151,452
Risk Margin	0	702,264
Total reserves	**267,273,864**	**259,993,951**

Unit Linked liabilities are the same for GAAP reserves and Solvency TPs. For the GAAP reserves non-unit reserves cannot be negative. Solvency Best Estimate Liabilities can be negative and hence there is a negative non-unit reserve. There is also a Risk Margin in the Solvency Technical Provisions.

Independent Peer Review

Since September 2022, peer review has been provided by John Burgum of OAC. Peer Review comments are included as Appendix 2.

D.3 Other Liabilities

The other liabilities are mainly payments to be made to the estate after the death of a policyholder. Once a policyholder dies the policy terminates and any residual value in the policy is transferred to shareholder funds. When a policy was incepted the policyholder was given a preference share which carries rights to any assets remaining on the death of the policyholder. The assets are transferred from the life fund to the shareholder fund and an associated liability arises.

"Other liabilities" also includes Insurance & Intermediary payables, Other creditors (mainly payments for outsourced services and accruals.

E. Capital Management

E.1 Own funds

Objective, policies, and processes for managing own funds

LCA aims to maintain a strong capital base supporting the business plan and meeting the regulatory capital requirements on an ongoing basis.

The Company is managing its funds such that there is an appropriate margin of own funds over the solvency capital requirement at all times. This is monitored formally through the Risk and Compliance Committee on a quarterly basis and more regularly through review of key market and demographic assumptions.

Own funds represent the excess of assets over liabilities and are invested in cash and other assets, fixed interest sovereign and corporate debt. Overall, the assets aim to generate positive returns for shareholders subject to an acceptable level of risk, compliance with regulatory requirements, and the required level of liquidity.

Own Funds classified by tiers

The majority of LCA's Own Funds are made up of Tier 1 capital. Tier 1 is the highest quality capital, which is able to absorb losses under all circumstances, including on a going-concern, run-off and winding-up basis. Preference shares represent Tier 2 capital and hence only 50% of the value of these assets are eligible to be included as Own Funds.

Eligible Own Funds are shown in the table below:

Solvency II Balance Sheet (£m)	2023	2022
Total Assets	**280.7**	**295.1**
Best Estimate Liabilities	259.3	272.2
Risk Margin	0.7	2.0
Other liabilities	8.2	8.9
Total Liabilities	**268.2**	**283.1**
Ineligible preference share capital	0.3	0.3
Eligible Own Funds to cover SCR and MCR	**12.2**	**11.7**

E.2 Solvency and Capital Requirement and Minimum Capital Requirement

The amount of Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR') are shown in the table below.

	2023 **£m**	**2022** **£m**
Solvency Capital Requirement	4.78	5.16
Minimum Capital Requirement*	3.49	3.19

* The MCR at 31 December 2023 was equal to £3.49m being the absolute minimum capital requirement which increased from €3.7m at 31 December 2022 to €4.0m at 31 December 2023

LCA is not subject to any capital add-on at the end of the reporting period.

Solvency Capital Requirement Split by Risk Module

The Company uses the standard formula as set out in the Solvency II Directive Article 230 to calculate the SCR and does not use any undertaking specific parameters.

The table below sets out the net basic SCR for each of the risk modules after diversification within risk module. The risk module capital requirements are calculated without using simplifications.

Solvency Capital Requirement	**2023** £'000	**2022** £'000
Market Risk	2,164	2,232
Counterparty Risk	201	341
Underwriting Risk (Life)	3,499	3,681
Diversification Benefit	(1,245)	(1,377)
Basic SCR	**4,619**	**4,876**
Operational Risk	156	389
SCR	**4,776**	**5,165**

The SCR has reduced by £0.4m over the year. **Section C. Risk Profile** provides additional information on the key risk drivers for each type of risk.

Minimum Capital Requirement

The components of the MCR calculation are shown below. The absolute floor of the MCR is prescribed by GFSC as €4.0m for an insurer with long term liabilities. This equates to £3.495m in UK sterling using the exchange rate for 31 December 2023 as advised by the GFSC.

Overall MCR calculation	**£m**
SCR	4.8
MCR cap (45% of SCR)	2.1
MCR floor (25% of SCR)	1.2
Absolute floor of the MCR	3.5
MCR	**3.5**

Solvency Position

	Capital Requirement	Eligible Capital	Solvency Ratio %
SCR	£ 4.8m	£12.2m	255.8%
MCR	£ 3.5m	£12.2m	349.6%

The solvency ratio of 255.8% is higher than the ratio as at 31 December 2022 which was 232.9%.

E.3 Use of Standard Equity Risk Sub-module

Not Applicable for LCA.

E.4 Differences between Standard Formula and internal model

The Company uses the Standard Formula to assess its Solvency Capital Requirement.

E.5 Compliance with MCR and SCR

The Company has performed a full valuation at the end of each quarter during 2023. In the intervening periods, key risk factors are regularly monitored to identify whether they remain within tolerance levels.

Appendix 1 Quantitative Reporting Templates

The following Quantitative Reporting Templates (QRTs) are required for the SFCR. These files are published on the Company's website. All figures are presented in thousands of pounds with the exception of ratios that are in decimal. Please note that totals may differ from the component parts due to rounding.

QRT Ref	QRT Template name
S.02.01.01	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01.04 – S.05.02.01.06	Premiums, claims and expenses by country
S.12.01.01	Life and Health SLT Technical Provisions
S.23.01.01	Own Funds
S.25.01.01.01 – S25.01.01.05	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity

Appendix 2 LCA SFCR - Peer Review Comments

OAC have a documented Work Review Policy under which all actuarial work is subject to work review, and that formal advice given to a firm's governing body by the Chief Actuary should be subject to a process of Independent Peer Review. This report falls under the latter category.

This report draws extensively from other work performed in the preparation of the year end results, and from other reports prepared by the Chief Actuary. These reports have been subject to an appropriate level of peer review where questions were raised, clarifications sought, and updates made to the reports prior to them being issued.

I can confirm that this report has been subject to internal peer review by myself, John Burgum (FIA), a senior actuary who is not routinely involved in the normal day-to-day actuarial activities with LCA. As such I believe this peer review may be regarded as "independent" and in keeping with the Actuarial Profession Standard X2: Review of Actuarial Work. Any issues raised by the review have been addressed, and no unresolved issues remain.

During the review clarification was sought on individual statements made to explain aspects of the valuation results. Explanations were provided and, where appropriate, wording was amended to provide greater clarity. The Risk Margin calculations have been amended this year to reflect a change in the prescribed methodology. The updated approach was applied but updates were required to the text to reflect this revised approach and explain the resulting reduction in Technical Provisions.

The report explains the movement in Technical Provisions over the year and the explanations provided are reasonable.

The various risks faced by the Company are identified under the relevant headings. Explanations are provided for the different aspects of the risk capital requirement as required under the Solvency II Standard Formula.

I have previously reviewed the assumptions underlying the valuation and found them to be reasonable.

The overall solvency position of the Company shows an SCR ratio of 256% and an MCR ratio of 350%. This is above the target level of solvency of 155% demonstrating that the Company is well capitalised and resilient to changes in economic and demographic factors.

The stress tests considered as part of the ORSA look reasonable. These will assist management in understanding the significance of the various risks that the Company is exposed to.

Overall, the work undertaken, and the explanations given, mean that I believe reliance can be placed on the information contained in the report and the conclusions drawn from it. The report follows the structure set out in Annex XX and the disclosure information referred to in Articles 292 – 298 of the delegated regulation (Commission Delegated Regulation (EU) 2015 / 35).

John Burgum (FIA)
Senior Actuarial Consultant
8 April 2024

Disclaimer

The financial information in the SFCR is based on the draft financial statements for 2023 because the regulatory deadline for the SFCR is earlier than the deadline for the audited financial statements. If there are any material changes to the financial statements after the SFCR is published a new version of the report will be prepared and published.

Some of the statements in this report may refer to LCA's future expectations based on the information available to LCA's Board of Directors and their current views and assumptions at the time of writing the SFCR.

LCA cannot make any representation or warranty as to the accuracy and/or completeness of such forward looking statements, which by their nature involve unknown risks and uncertainties, nor is any representation or warranty made that they will be reviewed, amended, or brought up to date.

There are many factors and conditions (including but not limited to economic, financial, or political conditions, market performance, external catastrophic events), that may cause actual results to be significantly different from those that may be anticipated in these forward-looking statements.

LCA does not accept any liability for any decision made, or action taken or not taken, in connection or in conjunction with, directly or indirectly, the information and/or statements contained in this SFCR.

The SFCR and the QRTs referred to in Appendix 1 have not been subject to external audit as this is not required by the GFSC.

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2023

We certify that:

1. The Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the Gibraltar Financial Services Commission ('GFSC') rules and Solvency Regulations; and
2. We are satisfied that:
    a. Throughout the financial year in questions, the Company has complied in all material respects with the requirements of the GFSC rules and Solvency Regulations as applicable to the Company; and
    b. It is reasonable to believe that, at the date of publication of the SFCR, the Company has continued so to comply, and will continue so to comply in future.

Approval by the Board of the SFCR and reporting templates

Peter Gatenby

Managing Director

For and on behalf of the Board

Date: 8 April 2024

Insurance company: 213800SFV1X6OPUC4573 , Closing date: 31/12/2023 , published on: 08/04/2024 10:05:35

Balance sheet

S.02.01.01.01

		Solvency II value	Statutory accounts value
		C0010	C0020
Assets			
Goodwill	R0010		
Deferred acquisition costs	R0020		
Intangible assets	R0030		10,325.00
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	9,990,219.61	9,990,220.00
Property (other than for own use)	R0080		
Holdings in related undertakings, including participations	R0090		
Equities	R0100	0.00	0.00
Equities - listed	R0110		
Equities - unlisted	R0120		
Bonds	R0130	9,990,219.61	9,990,220.00
Government Bonds	R0140	9,990,219.61	9,990,220.00
Corporate Bonds	R0150		
Structured notes	R0160		
Collateralised securities	R0170		
Collective Investments Undertakings	R0180		
Derivatives	R0190		
Deposits other than cash equivalents	R0200		
Other investments	R0210		
Assets held for index-linked and unit-linked contracts	R0220	259,122,412.00	269,066,134.00
Loans and mortgages	R0230	1,069,312.00	1,069,312.00
Loans on policies	R0240		
Loans and mortgages to individuals	R0250		
Other loans and mortgages	R0260	1,069,312.00	1,069,312.00
Reinsurance recoverables from:	R0270	0.00	0.00
Non-life and health similar to non-life	R0280	0.00	0.00
Non-life excluding health	R0290		
Health similar to non-life	R0300		
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0.00	0.00
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	286,281.00	286,281.00
Reinsurance receivables	R0370		
Receivables (trade, not insurance)	R0380	20,576.00	20,576.00
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	2,291,425.00	2,291,425.00
Any other assets, not elsewhere shown	R0420	7,934,580.00	2,127.00
Total assets	R0500	280,714,805.61	282,736,400.00
Liabilities			
Technical provisions – non-life	R0510	0.00	0.00
Technical provisions – non-life (excluding health)	R0520	0.00	
Technical provisions calculated as a whole	R0530		
Best Estimate	R0540		
Risk margin	R0550		
Technical provisions - health (similar to non-life)	R0560	0.00	
Technical provisions calculated as a whole	R0570		
Best Estimate	R0580		
Risk margin	R0590		
Technical provisions - life (excluding index-linked and unit-linked)	R0600	8,153,768.00	8,151,452.00
Technical provisions - health (similar to life)	R0610	0.00	
Technical provisions calculated as a whole	R0620		
Best Estimate	R0630		
Risk margin	R0640		
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	8,153,768.00	8,151,452.00
Technical provisions calculated as a whole	R0660		
Best Estimate	R0670	8,151,452.00	
Risk margin	R0680	2,316.00	
Technical provisions – index-linked and unit-linked	R0690	251,840,185.00	269,066,134.00
Technical provisions calculated as a whole	R0700		
Best Estimate	R0710	251,140,236.00	
Risk margin	R0720	699,949.00	
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		
Derivatives	R0790		
Debts owed to credit institutions	R0800		
Financial liabilities other than debts owed to credit institutions	R0810		
Insurance & intermediaries payables	R0820	78,254.00	78,254.00
Reinsurance payables	R0830		
Payables (trade, not insurance)	R0840	133,154.00	133,154.00
Subordinated liabilities	R0850	0.00	0.00
Subordinated liabilities not in Basic Own Funds	R0860		
Subordinated liabilities in Basic Own Funds	R0870		
Any other liabilities, not elsewhere shown	R0880	8,290,782.61	625,988.00
Total liabilities	R0900	268,496,143.61	278,054,982.00
Excess of assets over liabilities	R1000	12,218,662.00	4,681,418.00

Insurance company: 213800SFV1X6OPUC4573 , Closing date: 31/12/2023 , published on: 08/04/2024 10:05:35

Premiums, claims and expenses by line of business

Life

S.05.01.01.02

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410			9,980,519.00	0.00					9,980,519.00
Reinsurers' share	R1420									
Net	R1500			9,980,519.00	0.00					9,980,519.00
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610			31,327,833.00	8,326,276.00					39,654,109.00
Reinsurers' share	R1620									
Net	R1700			31,327,833.00	8,326,276.00					39,654,109.00
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900			1,662,096.00						1,662,096.00
Administrative expenses										
Gross	R1910			70,268.72						70,268.72
Reinsurers' share	R1920									
Net	R2000			70,268.72						70,268.72
Investment management expenses										
Gross	R2010									
Reinsurers' share	R2020									
Net	R2100									
Claims management expenses										
Gross	R2110									
Reinsurers' share	R2120									
Net	R2200									
Acquisition expenses										
Gross	R2210									
Reinsurers' share	R2220									
Net	R2300									
Overhead expenses										
Gross	R2310			1,591,827.28						1,591,827.28
Reinsurers' share	R2320									
Net	R2400			1,591,827.28						1,591,827.28
Other expenses	R2500									
Total expenses	R2600									1,662,096.00
Total amount of surrenders	R2700									

Insurance company: 213800SFV1X6OPUC4573 , Closing date: 31/12/2023 , published on: 08/04/2024 10:05:41

Premiums, claims and expenses by country

Life obligations

S.05.02.01.04 - S.05.02.01.06

		Home country	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			GB	
		C0220	C0230	C0280
Premiums written				
Gross	R1410		9,980,519.00	9,980,519.00
Reinsurers' share	R1420			0.00
Net	R1500	0.00	9,980,519.00	9,980,519.00
Premiums earned				
Gross	R1510			0.00
Reinsurers' share	R1520			0.00
Net	R1600	0.00	0.00	0.00
Claims incurred				
Gross	R1610	2,014,533.02	37,639,575.84	39,654,108.86
Reinsurers' share	R1620			0.00
Net	R1700	2,014,533.02	37,639,575.84	39,654,108.86
Changes in other technical provisions				
Gross	R1710			0.00
Reinsurers' share	R1720			0.00
Net	R1800	0.00	0.00	0.00
Expenses incurred	R1900	1,662,096.00		1,662,096.00
Other expenses	R2500			
Total expenses	R2600			1,662,096.00

Insurance company: 213800SFV1X6OPUC4573 , Closing date: 31/12/2023 , published on: 08/04/2024 10:05:36

Life and Health SLT Technical Provisions

S.12.01.01

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other	Accepted reinsurance					Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life accepted insurance contracts and relating to	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150
Technical provisions calculated as a whole	R0010														
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020														
Technical provisions calculated as a sum of BE and RM															
Best Estimate															
Gross Best Estimate	R0030			251,140,235.47			8,151,451.61								259,291,687.08
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040														
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	R0050														
Recoverables from SPV before adjustment for expected losses	R0060														
Recoverables from Finite Re before adjustment for expected losses	R0070														
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080														
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			251,140,235.47			8,151,451.61								259,291,687.08
Risk Margin	R0100		699,948.58			2,315.51									702,264.09
Amount of the transitional on Technical Provisions															
Technical Provisions calculated as a whole	R0110														
Best estimate	R0120														
Risk margin	R0130														
Technical provisions - total	R0200		251,840,184.05			8,153,767.12									259,993,951.17
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0210		251,840,184.05			8,153,767.12									259,993,951.17
Best Estimate of products with a surrender option	R0220														
Gross BE for Cash flow															
Cash out-flows															
Future guaranteed and discretionary benefits	R0230														
Future guaranteed benefits	R0240														
Future discretionary benefits	R0250														
Future expenses and other cash out-flows	R0260		12,518,615.20												12,518,615.20
Cash in-flows															
Future premiums	R0270														
Other cash in-flows	R0280		12,687,890.39												12,687,890.39
Percentage of gross Best Estimate calculated using approximations	R0290														
Surrender value	R0300		258,707,517.81												258,707,517.81
Best estimate subject to transitional of the interest rate	R0310														
Technical provisions without transitional on interest rate	R0320														
Best estimate subject to volatility adjustment	R0330														
Technical provisions without volatility adjustment and without others transitional measures	R0340														
Best estimate subject to matching adjustment	R0350														
Technical provisions without matching adjustment and without all the others	R0360														

Insurance company: 213800SFV1X6OPUC4573 , Closing date: 31/12/2023 , published on: 08/04

Own funds

S.23.01.01

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,500,000.00	1,500,000.00			
Share premium account related to ordinary share capital	R0030	0.00				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0.00				
Subordinated mutual member accounts	R0050	0.00				
Surplus funds	R0070	0.00				
Preference shares	R0090	743.00				743.00
Share premium account related to preference shares	R0110	578,418.00				578,418.00
Reconciliation reserve	R0130	10,139,501.00	10,139,501.00			
Subordinated liabilities	R0140	0.00				
An amount equal to the value of net deferred tax assets	R0160	0.00				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0.00				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00				
Total basic own funds after deductions	R0290	12,218,662.00	11,639,501.00	0.00	0.00	579,161.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.00				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0.00				
Unpaid and uncalled preference shares callable on demand	R0320	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.00				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00				
Other ancillary own funds	R0390	0.00				
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	12,218,662.00	11,639,501.00	0.00	0.00	579,161.00
Total available own funds to meet the MCR	R0510	11,639,501.00	11,639,501.00	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	12,218,662.00	11,639,501.00			579,161.00
Total eligible own funds to meet the MCR	R0550	11,639,501.00	11,639,501.00			
SCR	R0580	4,775,784.00				
MCR	R0600	3,494,640.00				
Ratio of Eligible own funds to SCR	R0620	2.5585				
Ratio of Eligible own funds to MCR	R0640	3.3307				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	12,218,662.00
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	2,079,161.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	10,139,501.00
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	0.00

Insurance company: , Closing date: 00/01/1900 , published on: 23/12/2020 00:00:00

Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.01.01 - S.25.01.01.05

Article 112*	Z0010	2

*Article 112
1 - Article 112(7) reporting (output: x1)

Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	2,164,364.90	2,164,364.90	
Counterparty default risk	R0020	201,241.34	201,241.34	
Life underwriting risk	R0030	3,499,116.61	3,499,116.61	
Health underwriting risk	R0040			
Non-life underwriting risk	R0050		0.00	
Diversification	R0060	-1,245,257.48	-1,245,257.48	
Intangible asset risk	R0070		0.00	
Basic Solvency Capital Requirement	R0100	4,619,465.37	4,619,465.37	

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	156,318.62
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	4,775,783.99
Capital add-on already set	R0210	
Solvency capital requirement	R0220	4,775,783.99
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	

*Method used to calculate the adjustment due to RFF/MAP nSCR aggregation

Calculation of Solvency Capital Requirement

		Yes/No
		C0109
Approach based on average tax rate*	R0590	

*Approach based on average tax rate
1 - Yes

Calculation of loss absorbing capacity of deferred taxes

		Before the shock	After the shock
		C0110	C0120
DTA	R0600	0.00	0.00
DTA carry forward	R0610		
DTA due to deductible temporary differences	R0620		
DTL	R0630		

		LAC DT
		C0130
LAC DT	R0640	0.00
LAC DT justified by reversion of deferred tax liabilities	R0650	
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	

Insurance company: 213800SFV1X6OPUC4573 , Closing date: 31/12/2023 , published on: 08/04/2024 10:05:39

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

S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	0.00

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
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	1,934,110.40

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	251,840,184.05	
Other life (re)insurance and health (re)insurance obligations	R0240	8,153,767.12	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation		C0070
Linear MCR	R0300	1,934,110.40
SCR	R0310	4,775,784.49
MCR cap	R0320	2,149,103.02
MCR floor	R0330	1,193,946.12
Combined MCR	R0340	1,934,110.40
Absolute floor of the MCR	R0350	3,494,640.00
Minimum Capital Requirement	R0400	3,494,640.00