AETNA INSURANCE COMPANY LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

Reporting Period 2022

Date of publication: 5 April 2023

50 Cannon Street

London

EC4N 6JJ

CONTENTS

1. EXECUTIVE SUMMARY

The European Union regulatory regime for insurance companies, known as Solvency II, came into force with effect from 1 January 2016. This report is the seventh Solvency and Financial Condition Report ("**SFCR**") that Aetna Insurance Company Limited ("**AICL**" or "**the Company**") has been required to publish under the Solvency II regime. This report covers the following in relation to the Company during the reporting period 1 January 2022 to 31 December 2022 (the "**Reporting Period**"): its Business and Performance, its System of Governance, its Risk Profile, its Valuation for Solvency Purposes and its Capital Management. The Company reports its financial results in United Stated Dollar ("**USD**" or "**$'000**") and the figures stated herein are accordingly USD.

AICL Business

The Company is a UK authorised and regulated insurance company which forms part of the Aetna International division ("**Aetna International**", or "AI") of the CVS Health Corporation Group of companies ("**CVS Group**").

In March 2022 Aetna International executed an Asset Purchase Agreement ("APA") with Allianz for the asset sale of its insurance and reinsurance business via an exclusive introduction process. The APA includes the business written by AICL and the AICL Singapore Branch.

Under terms agreed in the APA, Allianz is providing new business invitations to existing Aetna International customers in advance of their policy end date, at the point where they would have previously been offered renewal terms with Aetna International. Where customers choose to take out a new policy with Allianz, AI will support the migration of those customers to Allianz.

The APA became effective in May 2022 and Allianz started issuing renewal invitations to Aetna existing customers in July 2022. The AI customers will receive the invitations from Allianz on a phased basis as their existing Aetna policies expire and this process is expected to be completed by 31st October 2023.

As a consequence of implementing the APA with Allianz, at the close of business on 31st October 2022, the Company ceased writing business. On 8th November 2022, the AICL Board formally approved for the Company to enter into run-off and submitted a "Variation in Permissions" request on 25th November 2022 to the Prudential Regulatory Authority ("PRA"). The change in "Permissions" related to "binding" contracts, as the Company stopped writing business on 31st October 2022 and all the existing policies are expected to expire by 31st October 2023. Aside from removing the ability to bind contracts, there were no other changes requested in the submission for "Variation in Permissions".

Prior to entering runoff, the Company supported the Aetna International strategy to provide international private medical insurance (**"IPMI"**) contracts to individuals and groups throughout the global market including Europe, the Middle East, Asia and Africa, including sales through its authorised branch in Singapore. The Company accepted business on a direct basis and on a reinsurance basis from business partners in those territories where the Company is not permitted to write business directly.

All IPMI plans sold by the Company were short term in nature and renewable by invitation on an annual basis. There were two types of pricing structure:

a) Community rated

Community rated products include a pricing structure for a single population, with different price points depending on age and location. These will typically be purchased by individuals and small employer sponsored groups.

b) Experience rated

Experience rated products are offered to larger employer sponsored groups (100 + employees), where a target claims fund is set by reference to the historical claims experience. The claims fund for each experience rated group is reviewed on an annual basis.

The plan designs included a common architecture and structure for benefit tables, which facilitated the performance of claims analytics across the entire Aetna International book of business.

Business Performance

On a reported basis, the gross written premium $171,787k (2021: $294,439k) decreased by 42% compared to 2021 following the phased migration of business to Allianz which commenced in July 2022 in line with the APA. As noted above, the Company also ceased writing business on 31st October 2022. Net earned premium of $247,423k (2021: $303,129k) decreased by 18% from 2021. In force business running to expiry will earn to the end of their policy period, being fully earned by October 2023. Other income of $24,995k (2021: $334k) includes $23,311k for the Company's allocation of consideration with respect to the APA with Allianz.

Net claims incurred of $160,817,268 (2021: $225,217,347) results in a claims ratio (net claims incurred over net earned premium) of 65.0% (2021: 74.3%). The reduction follows phased migration of business transferring to Allianz during the year with no new or renewed policies underwritten by the Company.

Prior period claims reserves were released as policies expired due to favourable actual claims experience for claims incurred during the period.

The level of expenses is primarily reflective of the total costs, including one-time run-off costs, incurred throughout the Group's International servicing entities. Costs incurred by the service entities in support of the Company's activities are recharged at a cost-plus mark-up in accordance with the Aetna International transfer pricing policy implemented in 2017.

Total costs were $109,083k (2021: $98,557k). Total administration expenses for 2022 was $76,563,663 (2021: $65,591,647) resulting in an expense ratio (administrative expenses over net earned premium) of 30.9% (2021: 21.6%). Current year expenses include $21,168,054 for the Company's allocation of run-off costs associated with the APA. The remaining expenses have decreased from 2021 however, the expense ratio excluding the run-off costs (22.4%) has still increased from 2021 due to the reduction in revenue.

Operating profit before tax and financial income was $2,518,490 (2021: $20,311,523 loss). Taxation was $1,452,948 (2021: $820,490), which results in a loss after tax of $192,758 (2021: $24,157,449).

The Solvency II technical provisions were $106,071k (2021: $141,928k), including a provision for run-off expenses of $43,966k. Excluding the run-off provision, the decrease in technical provisions is representative of lower business volumes in line with migration of business under the APA and the Company entering runoff.

Capital Management

The Company currently uses the Solvency II Standard Formula to calculate its solvency capital requirement. The Company has a mono-line product with contracts renewable on an annual basis. The Company also reviews its capital requirements against capital models from rating agencies and its Board of Directors is satisfied that the Solvency II Standard Formula is, and remains, the most appropriate method for determining its solvency requirements.

The Company's Solvency Capital Requirement (under the Solvency II Standard Formula) at 31st December 2022 is $36,278k (2021: $72,406k). The Company has $145,067k (2021: $176,103k) of eligible capital resources to meet its Solvency Capital Requirement, providing a surplus of $108,789k (2021: $103,697k) and a solvency ratio of 400% (2021: 243%).

The funds available to meet the solvency margin decreased in line with the additional allowance of runoff expenses in the technical provisions. Excluding the additional runoff provisions, the total service company costs were broadly in line year-on -year. The solvency capital requirement is lower than the prior year, reflecting the commencement of the business migration under the APA and the runoff status.

T1. Aetna Insurance Company Limited Solvency Capital Summary at 31st December 2022	2022 $000	2021 $000
Total eligible Own Funds	145,067	176,103
Standard Formula for Solvency Capital Requirement	36,278	72,406
Surplus	108,789	103,697
Solvency Ratio	400%	243%

The Board is satisfied with the capital management process in place to ensure the Company meets its regulatory capital requirements and rating agency expectations and that it continues to manage to its risk appetite.

Going Concern

The directors have prepared cash flow and capital forecasts for a period to 31 December 2024 which indicate that, taking account of various stress scenarios, the Company has sufficient funds to meet its liabilities as they fall due and to maintain the internal capital target of 150% of Solvency II required capital. No additional funding is expected to be required from the shareholder to meet obligations over the going concern assessment period, however the Company expects additional funds from the shareholder will be made available if needed.

System of Governance

The Board of directors of the Company ("**Board**") has overall responsibility for ensuring that the Company has an effective system of governance. It is responsible for overseeing the conduct of the Company's business and supervising the executive team which is responsible for its day-to-day management. The Board manages its affairs in accordance with the constitution of the Company, its terms of reference and the legal & regulatory framework in which the Company operates. The Board is supported by an Audit & Risk Committee, which operates in accordance with its terms of reference.

There were no material changes to the terms of reference for the Audit & Risk Committee during the period.

The Company operates a three lines of defence internal control system with the business acting as the first line of defence (owning/ managing risks and implementing controls); compliance and risk management as the second line (monitor and challenge the first line controls); and internal audit as the third line of defence (providing independent assurance to the Board on the effectiveness of the Company's governance, risk management, and internal controls).

The Company's risk management system is fully integrated into the strategic planning and annual business plans approved by the Board. The Own Risk & Solvency Assessment process provides the Board with updates on the Company's risk profile 7 to capital plan over a three-year horizon. A risk scorecard is used to report on risk tolerances and provide the baseline for risk scenario testing.

2. DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for ensuring that this SFCR has been properly prepared in all material respects with the Prudential Regulation Authority rules ("PRA Rules") and Solvency II Regulations.

The Board is satisfied that:

(a) throughout the Reporting Period to which this SFCR relates, the Company has complied in all material respects with the PRA Rules and the Solvency II Regulations as applicable to it; and

(b) it is reasonable to believe that, at the date of publication of this SFCR, the Company has continued to so comply, and will continue to so to comply in the foreseeable future.

On behalf of the Board

Damian Lenihan

Chief Executive Officer

5th April 2023

EXTERNAL AUDITORS' REPORT

Report of the independent external auditor to the Directors of Aetna Insurance Company Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at **31 December 2022:**

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at **31 December 2022, ('the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement'**).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of **Aetna Insurance Company Limited** as at **31 December 2022** is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including 'ISA (UK) 800 *(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'* and 'ISA (UK) 805 *(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included.

- Considering the impact of the Company going into run-off on the going concern assessment.
- Confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 31 December 2024 .
- Challenging the basis upon which the assessment is made, being a focus on liquidity and capital, to conclude as to whether it is appropriate for the Company .
- Assessing the accuracy of management's cash flow and capital forecast by testing the clerical accuracy.
- Obtaining and reviewing the latest Board approved Own Risk Solvency Assessment ("ORSA"), assessing whether the stress testing included in the ORSA was reasonable and considering the solvency positions under each stress scenario.
- Evaluating management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom and the likelihood of such severe downside scenarios to be remote.
- Assessing the plausibility of available management actions to mitigate the impact of the key risks by comparing them to our understanding of the Company.
- Performing enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern.
- Assessing the appropriateness of the going concern disclosure by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 December 2024 from when the relevant elements of the Solvency and Financial Condition Report are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of Matter – Basis of Accounting & Restriction on Use
We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and/or other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report
The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the direct laws and regulations related to elements of company law and tax legislation and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by obtaining a general understanding of how the Company complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and

compliance matters. We also reviewed correspondence between the Company and the FCA and the PRA; reviewed minutes of the Board and the Audit and Risk Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework ('RMF') and internal control processes.

- We assessed the susceptibility of the company's financial statements and the Solvency Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the procedures over the actuarial assumptions noted above as well as testing manual journals over revenue accounts. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies and inspecting correspondence with the FCA and PRA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Aetna Insurance Company Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DocuSigned by:

Ernst & Young LLP

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Ernst & Young LLP
Leeds
05 April 2023
April 2023

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

A. BUSINESS AND PERFORMANCE

A.1 Business

Company Details

Aetna Insurance Company Limited (hereinafter referred to as "**AICL**" or the "**Company**") is a private company limited by shares which is incorporated in England with company number 05956141. Its registered address and principal place of business is 25 Templar Avenue, IQ Farnborough, Farnborough, Hampshire, GU14 6FE, UK.

Regulators

The Company is a UK authorised insurance company providing international private medical insurance for individuals and groups. It is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by both the PRA and the Financial Conduct Authority ("**FCA**") with firm reference number 458505.

The contact details for the PRA and the FCA can be found on their respective websites:

http://www.bankofengland.co.uk/pra/Pages/default.aspx

https://www.fca.org.uk/

The Company also maintains a branch in Singapore which is separately authorised and regulated by the Monetary Authority of Singapore ("**MAS**") (http://www.mas.gov.sg/).

External Auditors

The Company's external auditor is Ernst & Young LLP whose address is The Paragon, 32 Counterslip, Redcliffe, Bristol BS1 6BX, United Kingdom

Legal Structure & Qualifying Holdings

The Company forms part of the Aetna International division of the CVS Group which sits under CVS Health Corporation, a company incorporated in Delaware (USA).

The Company does not employ any staff directly and the activities of the Company are serviced by Aetna Global Benefits (UK) Limited ("**AGBUK**"), another UK company in the CVS Group which is an FCA regulated insurance administrator.

A simplified group structure diagram is included on page 16 which shows the holders of qualifying holdings in the Company, including CVS Health Corporation which ultimately owns 100% of the Company.

It also shows those other companies within the Company's Group Supervision under the Group Supervision Part of the PRA Rulebook for Solvency II Firms ("Solvency II Group Supervision"), hereinafter referred to as the Company's "Solvency II Group". It is also noted that the Company has been granted a waiver by the PRA which means that the Company's Group Supervision under Solvency II is carried out at the level of its ultimate holding company in the UK , Spinnaker Bidco Limited, and there is no requirement to prepare a consolidated SFCR including the US parent. A separate Group SFCR will be published for Spinnaker Bidco Limited.

Legal Entity Organization Chart
As at 31 December 2022 (extract)

Business and significant events in the Reporting Period

Prior to entering runoff, the Company supported the Aetna International strategy to provide international private medical insurance contracts to individuals and groups throughout the global market including Europe, the Middle East, Asia and Africa. In addition to accepting business directly, the Company also accepted international private medical insurance business on a reinsurance basis from its business partner in the United Arab Emirates, Al Ain Ahlia Insurance Co.

The CVS Group continues to maintain the cost base and infrastructure to support the Aetna International business operations. The acquisition costs incurred by the Company were $32,519k (2021: $32,965k), which only include external acquisition costs. The written acquisition costs of $24,472k (2021: $32,255k) reduced in line with the reduction to written premium, with the balance incurred in 2022 being release of deferred acquisition costs from the prior period. The total service costs incurred by the service company of $69,202k (2021: $56,463k) have been treated as administration costs and include $21,654k for the Company's allocation of run-off costs associated with the APA. The total recurring costs for the service company have reduced between 2022 and 2021 as the volume of business activities begins to reduce during the runoff.

There was no additional capital contribution in 2022 as the Company is sufficiently capitalised to support its business plan.

A.2 Underwriting Performance

Prior to entering run-off, the Company had a single product, international private medical insurance, and the underwriting result is shown under this single line of business, Medical Expense Insurance. It was positioned to support the Aetna International strategy to provide international private medical insurance to employer sponsored groups and individuals in multiple locations.

The following table summarises the movement in the underwriting result between the year ended 31 December 2022 and the year ended 31 December 2021 for comparison:

TA2.1	2022 $'000	2021 $'000
Net Written Premiums	169,754	290,824
Net Earned Premiums	247,423	303,129
Net Incurred Medical Costs	160,817	225,217
Underwriting Result	**86,606**	**77,911**
Medical Benefit Ratio ("MBR")	65.0%	74.3%

The total underwriting result in the above table includes risks in multiple locations and the business is substantially similar across the different geographies.

The reduction in the written premium following the commencement of the phased migration of business under the APA in July 2022, where expiring risks in the second half of 2022 were not replaced with new renewals and the cessation of writing any business after the 31st October 2022. The change in the incurred claims loss ratio 65.0% (2021: 74.3%) reflects the favourable actual claims experience in 2022 and a release of prior period reserves. The change in net incurred medical costs was the main driver for the increase in the underwriting result.

The Board is satisfied that the operating model for robust management of claims operations will ensure appropriate claims adjudication continues during the run-off.

The Company does not report its results by business segment in the financial statements and shows the total underwriting result for the single product line in the Statement of comprehensive income. The table below shows the top 5 geographic territories for gross written premium, with additional information included in the QRT S.05.02 which is appended to this report.

The proportionate share of written premium for the largest territories is largely in line with the prior period, allowing for the overall 42% reduction to gross written premium between 2021 and 2022 relating to the APA and cessation of writing business from 31st October 2022.

TA2.2 Gross Written Premiums - $000	Home Country United Kingdom	United Arab Emirates	Singapore	Vietnam	Greece	Bahrain	Malaysia
2022	22,567	93,272	41,463	4,984	2,022	1,507	-
2021	32,178	159,188	51,886	5,731	-	3,940	2,387

The mix of business in geographies did not materially change between 2022 and 2021, but a slight reduction across some territories in line with total trading position.

A.3 Investment Performance

All assets are invested in a manner that ensures the security, quality, liquidity, and profitability of the portfolio. The Company maintains assets to match its policyholder liabilities. The Board has outsourced the management of its investments to the CVS Group Treasurer which manages its investments in accordance with the Board approved risk parameters and liquidity requirements. This places emphasis on low risk (minimum rating A-) and highly liquid assets with minimum appetite (less than 10% of total invested assets) for higher risk equity type investments. Following the signing of the APA agreement, the Board approved a switch from longer term financial investments into shorter term commercial paper and cash equivalents, to reduce market volatility for the run-off period. This portfolio realignment was completed in May 2022.

The assets held by the Company in its investment portfolio are listed below at the Solvency II valuation as at 31 December 2022 (with those held as at 31 December 2021 for comparison) :

TA3.1	2022 $000	2021 $000
US Government Bonds	61,733	64,233
Singapore Government Bond	53,462	41,621
Commercial Paper and Corporate Bonds	78,170	93,179
Cash Deposits	15,361	29,491
Total	**208,726**	**228,524**

Investment income of $4,209k (2021: $2,196) has increased in 2022 as maturing investments were replaced with higher yielding bonds following an increase in interest rates during the year. Net gains/(losses) on investments include losses of $5,101k (2021 loss: $4,762) which primarily relate to capital losses on longer term financial investments which were sold and reinvested in shorter term cash equivalents in May 2022.

The table below provides an overview of the income and expense arising from the Company's invested assets.

TA3.2 **Investment return – Bonds**	2022 $000	2021 $000
Interest Income	4,175	2,196
Net gains/(losses) on realisation of investments	(5,101)	(4,762)
Investment return – Bonds	(926)	**(2,566)**

The investment return reflects the conservative strategy adopted by the Board and the increased investment income reflects the rise in interest rates as older maturing investments were reinvested in bonds with higher coupons in 2022. The net losses on realisation of investments relates to switch from long term investments into shorter term commercial paper and cash equivalents in May 2022, as the older bonds with low interest rates lost value in the market.

Cash surplus to short term operating requirements is placed on rolling 1 month deposits. The cash on deposit was reduced during the year as cash flows fell in line with reductions to earned revenue post the commencement of the APA migration. The cash on deposit is available to be withdrawn on demand. Interest earned in the period was $152k (2021: $186k).

Other assets and liabilities held in currencies other than the reporting currency, USD, are subject to foreign currency revaluation changes when valued in the reporting currency. The foreign currency unrealised losses included in the total financial return was $702k (2021 unrealised loss: $646k) with the FX loss mainly attributable to revaluation of the Singapore Branch assets and liabilities.

The total financial income is shown in the table below:

TA3.3 - Total Financial Income Return	**2022 $000**	**2021 $000**
Invested Assets	(926)	(2,566)
Cash at bank	186	186
Other assets/liabilities - Foreign Currency Retranslations	(702)	(646)
Total Financial Income Return	**(1,443)**	**(3,026)**

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A.4 Performance of Other Activities

The Company's only activities during the Reporting Period have been insurance and related activities.

In addition to premium, the Company charges administration fees for premiums paid by instalment and the administration fees received in the Reporting Period were $1,684k (2021: $334k).

The Company's allocation $23,311k (2021: Nil) of the total up-front consideration paid for the APA was also recognised in other income

Total acquisition costs $32,519k (2021: $32,965k), include incurred acquisition costs of $24,472k (2021: 32,255k) and release of deferred acquisition costs from the prior period of $8,047k (2021: 711k). The incurred costs fell in line with the reduction to gross written premium and the movement in deferred acquisition costs results from business expiring during the phased migration and cessation of writing business from 31st October 2022. The acquisition cost rates paid to external parties has not materially changed between 2022 and 2021.

Operating costs of the Company include acquisition costs charged by AGBUK and administration expenses directly incurred by the Company, including audit and banking fees. The costs charged by AGBUK include $21,654k for the Company's allocation of run-off costs associated with the APA.

Excluding the one-time provisions for APA costs, the related party costs for 2022 are broadly in line with the Company's share of business serviced by AGBUK, with the reduction reflecting gradual decreases to the related party's total cost base for the phased impact of the APA migration and runoff.

The direct costs $9,507k (2021: $9,128k) were broadly in line year-on-year.

The table below provides an overview of these costs for the Reporting Period (and a comparison with the year ended 31 December 2021):

TA4.1	2022 $m	2021 $m
Acquisition costs – external commissions	32,519	32,965
Incurred costs - related parties (business as usual)	47,548	56,463
Incurred costs - related parties (APA)	21,654	
Administration costs	9,507	9,128
Total Acquisition and Administration costs	**111,227**	**98,556**

No dividends were paid during the Reporting Period (2021: $nil).

A.5 Any other information

<u>Climate Change</u>

The directors have considered the impact of the physical and transition risks of climate change and identified this as an emerging risk as set out on page 54 but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities for the solvency valuation on 31 December 2022. This is because the financial assets are included at their economic value using the most up to date market information as discussed in Section D, therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change on these financial investments. Insurance liabilities are accrued based on past insurable events so will not be impacted by any future impact of climate change.

The directors also recognise that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently and the frequency / magnitude of future insurable events linked to the effect of climate risks could change.

Subsequent Event

On 1st January 2023 the Company entered into a quota share reinsurance arrangement with Aetna Life Insurance Company CT ("ALIC"), a related entity within the CVS Health Group. Under this arrangement the Company has transferred 100% of the economic risk for its insurance activity to ALIC. This includes any unearned components and established reserves for in-force business as of 1st January 2023 and their future economic developments. Reinsurance premium will be owed to ALIC on a funds withheld basis and ALIC will reimburse the Company for all paid claims. ALIC will pay the Company a ceding commission in compensation for the expenses the Company incurs from its managing general underwriting agencies who will continue the administration of the business activity.

The excess of loss reinsurance arrangement with Aetna Life & Casualty (Bermuda) Limited ("AL&C") was fully commuted on 1st January 2023 based on insurance balances stated in the financial statements at 31st December 2022

Events in Ukraine

The company has assessed its exposure to events in Ukraine and impact for any business transactions in Russia and Belarus. The Company has determined that any such exposure is not material. The Company does not have any employees or assets in the Ukraine, Russia or Belarus.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

The Board, its sub-committees and executive management

The Board has overall responsibility for ensuring that it has an effective system of governance. It is responsible for overseeing the conduct of the Company's business and supervising the executive team which is responsible for its day-to-day management. The Board manages its affairs in accordance with the constitution of the Company, its terms of reference and the legal & regulatory framework in which the Company operates. The Board was comprised of six directors as at 31st December 2022: three non-executive directors and three executive directors, as well as the company secretary.

The Board has delegated certain of its responsibilities directly to the executive management team and its sub-committees. During the Reporting Period, there was one Board sub-committee with terms of reference which set out its role and responsibilities:

- **Audit & Risk Committee**

  The committee has responsibility for the oversight of the Company's financial reporting process, its audit process, its system of internal controls, compliance with laws & regulations and risk exposure (including determining risk appetite and tolerance). This committee is comprised of three non-executive directors. The finance, compliance, risk management and internal audit functions all provide quarterly updates on their activity to this committee.

- **Executive Management Team**

  The executive management team report to the Board and periodically the executive management invite the investment manager to attend the Board meetings for discussion on investment performance.

  During the Reporting Period, the Company's executive management team was comprised of the Chief Executive Officer, the Chief Risk Officer and the Chief Finance Officer. They had overall management accountability for the day-to-day business of the Company and were responsible for reporting on such matters to the Board & its sub-committees. The executive management team are supported by three functional committees (Sales & Marketing, Operations and Finance, Compliance & Risk) which facilitate process management, awareness, and appropriate governance amongst the key functions of the business.

The Company's executive management team remain directly responsible for implementing any group strategy at the Company level and decisions with respect to how the Company should conduct its UK regulated business.

An overview of the key functions of the Company and its key function holders (including their respective Company reporting lines) is shown in the diagram on the next page.

CORPORATE GOVERNANCE STRUCTURE AND INTERACTION WITH GROUP

Key
Reporting →
Information flow - - →

AETNA INTERNATIONAL LEADERSHIP TEAM	* Led by the Aetna International Chief Executive, Richard di Benedetto, who is accountable to and reports to the CEO of the CVS Group in respect of the activity of Aetna International and its group strategy * AI EMEA RGM (David Healy) is a Group Influence Function Holders (SMF7) and a member of International Leadership Team * The International Leadership Team sets and monitors the strategy for the Aetna International * It has strategic and operational committees established to support Aetna International strategy
GROUP INFLUENCE FUNCTION HOLDERS	*AI EMEA RGM (David Healy) is a Group Influence Function Holders (SMF7) and a member of International Leadership Team * EMEA RGM is responsible for reporting to the International Leadership team on EMEA business activity and relaying group strategy to his direct reports * AICL Chief Executive Officer (Damian Lenihan) ("CEO") reports into EMEA RGM
AICL BOARD OF DIRECTORS	* Duties and responsibilities set by terms of reference and UK legal/ regulatory framework * Meets quarterly * Currently comprised of 3 executive and 3 non-executive members * Oversee the conduct of the company's business and supervision of management * Agree and monitor strategy within the Aetna International Group strategy parameters
AICL AUDIT & RISK COMMITTEE	* Duties and responsibilities set by terms of reference and UK legal/ regulatory framework * Meets quarterly * Currently comprised of 3 independent non-executive members * Oversight of financial reporting, audit/ auditors (external and internal), compliance, internal controls and risk management * Chair of Committee reports to the Board * Compliance, Risk Management and Internal Audit functions report to this committee on a quarterly basis
AICL EXECUTIVE MANAGEMENT TEAM	* Overall management accountability for AICL * Responsible for implementing company and Aetna International Group strategy in UK * Comprised of the company's CEO, CFO and CRO * Responsible for reporting to AICL Board (and its sub-committee)
AETNA INTERNATIONAL EMEA MANAGEMENT COMMITTEES	
EMEA SALES, MARKETING & ACCOUNT MANAGEMENT COMMITTEE	*Meets 8 times per year *Develop Aetna International EMEA sales strategy *Review progress vs. targets and financial review vs. earnings *Pipeline and retention management activity *Alternative distribution initiatives and updates *Proactive management and planning for product development *Composition includes EMEA RGM, CFO, CEO, CRO and representatives from sales, operations, underwriting,
EMEA LEGAL, AUDIT, RISK & COMPLIANCE COMMITTEE	*Meets bi-monthly *Oversees and approves the region-wide risk & compliance management practices *Identify and evaluate the EMEA's principal operational, business and compliance risks, including the company's risk management framework and the policies, procedures and practices employed to manage risks, and the region's ethics and compliance programs *Composition includes EMEA RGM, CRO and representatives from legal, compliance and internal audit
EMEA EXECUTIVE - BUSINESS PERFORMANCE FORUM	*Meets monthly *Review financial reporting *Provide oversight of the finance function within EMEA *Management of expenses versus budget and delivery of cost control initiatives *Report on financial performance and regulator issues to the International Leadership Team on a monthly basis *Composition includes EMEA RGM, CFO, CEO, CRO and representatives from sales, operations, underwriting, marketing and product
EUROPE CREDIT CONTROL COMMITTEE	*Meets twice a month *The purpose is to ensure all debts are collected in a timely manner to reduce credit exposure and improve cash flow *Escalation point for any issues relating to invoicing or delays in collections *Reviews Accounts Receivable Reports *Composition includes CFO, CEO, CRO and representatives from sales, operations and finance
UNDERWRITING COMMITTEE	*Meets monthly *Provides management oversight and risk analysis of the execution of underwriting strategy against plan * Mixture of Quarterly Deep Dives on actions/trends and spotlight meetings giving high level updates/ key issues driven by regional requirements *Composition includes, inter alia, EMEA RGM, Chief Underwriting Officer, Central Underwriting KFH, CFO, CEO and Head of Operations

There were no changes to the composition of the directors of the Board during the Reporting Period.

Remuneration policy and practices

The Company has no direct employees. All of the employees performing services on behalf of the Company in the UK are employed by AGBUK, who is the principal service provider to the Company. The CVS Group establishes the remuneration policy for all employees, which includes a mixture of fixed pay and bonus incentives.

The CVS Group Human Resource function completes market research for CVS Group employees to set benchmarked pay ranges for fixed pay. The market review also reviews additional market-based benefits which can be added to the basic compensation package.

The CVS Group offers defined pension contributions for employees and the contribution rates are set based on market research. The bonus incentives are linked to personal performance and the performance of the CVS Group. Funding for bonus awards is approved by the Board of Directors of Aetna Inc. The performance of the Company is included in the total performance calculations for determining bonus funding approved by the CVS Group and there are no incentives linked specifically to the Company's performance.

The Chairman and Chief Executive Officer of the Company meet on an annual basis to review the CVS Group remuneration policy to ensure it is appropriate for the Company.

Material transactions with Shareholder

The Company remains sufficiently capitalised to meet its internal risk appetite. Consequently, there were no additional capital contributions in the period (2021: Nil).

Assessment of Corporate Governance Structure

The governance structure has been designed to ensure that management can provide the necessary oversight of the business and make decisions, whilst also supporting the responsibilities of the Board. The Board has clearly defined responsibilities and delegated authorities to its sub-committees.

The Board is satisfied that the system of governance, including the operation of the Board sub-committees, operates effectively and is appropriate to the size and complexity of the business. The Board has full access to all levels of management prescribed in the governance structure and receives information regularly on the performance and controls operating within the business.

The CVS Group sets the broad business strategy for the Company. The Board reviews the Company's strategy and annual business plan, which is prepared by the executive management team taking into account the broad strategic direction from the CVS Group.

The Board scrutinises the strategy and business to assess its risk and benefits and determine if its implementation is in accordance with:

- the Company's risk appetite
- the Company's short term and long-term strategy
- the Company's legal and regulatory responsibilities; and
- the fair treatment of the Company's policyholders.

The governance structure provides a mechanism for the Company to anticipate and respond to potential changes in the business environment or its risk profile in an appropriate amount of time. The risk management structure integrates risk assessment into the strategic and business planning cycles, which enables the Company to maintain a manageable risk profile.

B.2 Fit and proper requirements

The Company has a documented procedure for ensuring that all senior management functions ("**Key Function Holders**") are, and remain, fit and proper in accordance with UK regulatory requirements."

In assessing whether a person is fit and proper to be a Key Function Holder, the Company considers the following regulatory prescribed criteria in relation to that person:

(a) personal characteristics (including being of good repute, honesty, integrity, and financial soundness)
(b) the level of competence, knowledge & experience
(c) qualifications and professional standards; and
(d) the training undertaken or to be undertaken by that person.

In relation to (a) and (b), the Company looks for evidence that the person has:

- appropriate qualifications
- experience and knowledge in insurance and financial markets
- an understanding of the Company's business strategy, business model; system of governance
- an understanding of financial and actuarial analysis (to the extent applicable)
- knowledge of the legal and regulatory framework and requirements applicable to the Company and its business; and
- the ability to adequately support the sound and prudent management of the Company.

The above criteria are assessed prior to the person's appointment as a Key Function Holder through self-assessment questionnaires, interviews with the Human Resources team senior management and third-party background checks (covering employment references, criminal records checks, credit checks and academic/ professional body checks), as appropriate to the function concerned.

Once appointed, the person is subject to periodic fitness and propriety checks by the Company. This fit and proper process and the appointment of Key Function Holders is overseen by the Board.

In addition to the above, the Company has a robust recruitment process and performs appropriate employment checks on all other employees operating within the key functions of the Company's business. This is overseen by the Chief Executive Officer in conjunction with the Human Resources team.

B.3 Risk Management System including the Own Risk and Solvency Assessment

Risk Management Function and System

The Board has delegated oversight of the risk management system to the Audit & Risk Committee. The Chief Risk Officer is responsible for discharging, managing, and the day-to-day oversight of, the Company's risk management function and reporting to the Audit & Risk Committee in respect of the same. The risk management function is responsible for the implementation of the Company's risk management system.

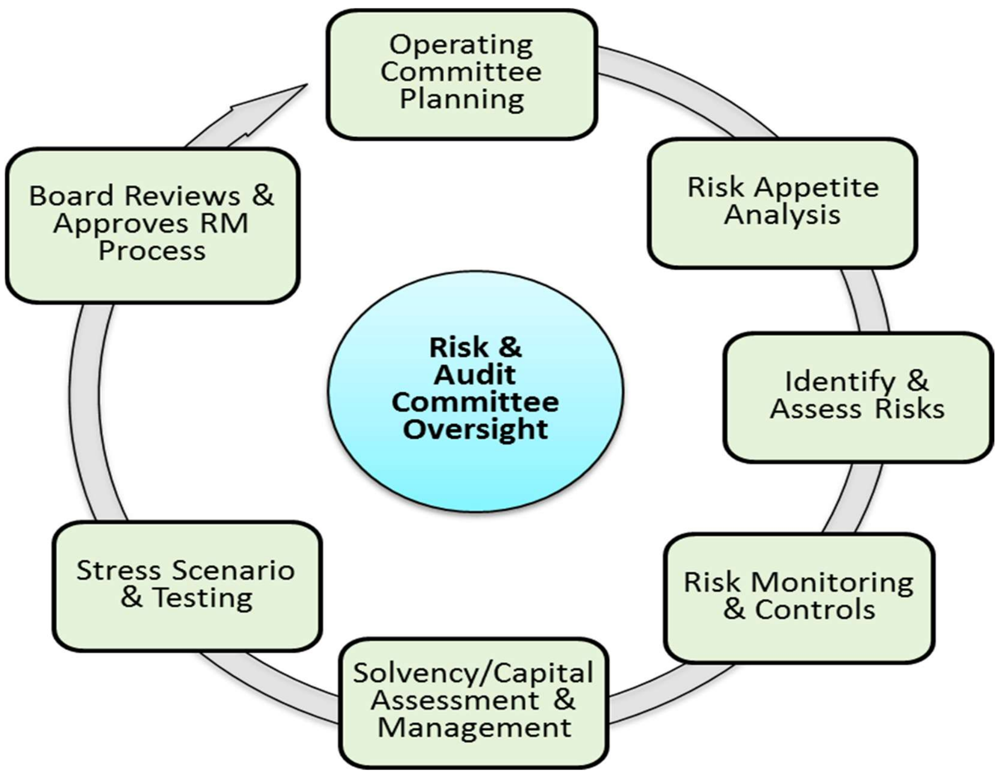
The Audit & Risk Committee has approved the implementation of a risk management system to identify, measure and track risk indicators for the Company. The risk management system includes a risk appetite statement, risk register, risk tolerances and a risk scorecard for monitoring performance against qualitative and quantitative tolerances.

The Chief Risk Officer is a member of a management committee, which meets regularly to review legal, internal audit and compliance issues, including business performance metrics, business developments and other material changes which could impact the risk profile of the business.

The Chief Risk Officer presents quarterly risk updates to the Audit & Risk Committee, which includes:

- executive summary of the business issues reviewed by the management risk committee
- risk scorecard summary
- risk tolerances summary
- solvency capital summary; and
- an overview of the risk management process.

The Company's risk management ("**RM**") process can be summarised using the following diagram:



Own Risk Solvency Assessment ("ORSA")

Process

The ORSA is a forward-looking risk assessment of all of the Company's material risks in the context of its business strategy and risk appetite, in order to determine current and future solvency needs of the business. The Company's ORSA process is governed by its ORSA policy, which describes the purpose, process and governance over the ORSA.

The Board is responsible for the Company's ORSA and ensuring that it is performed in accordance with the ORSA policy and applicable law and regulation.

The ORSA process is coordinated by the Chief Risk Officer. The objective of the ORSA process is to assess its capital adequacy in light of its assessment of its risks and the potential impacts of its risk environment and enable it to make strategic decisions.

The risk management cycle and reporting to the Audit & Risk Committee supports the objectives of the ORSA by presenting regular updates on the Company's risk profile. The risk scorecard is used to track emerging risk issues that impact the Company's ability to manage its solvency capital. The tracking includes new business opportunities which could trigger requirements for additional capital.

The key risk assurance functions which provide updates to the Audit & Risk Committee as part of the ORSA process are:

- the risk management function which manages the ORSA process and its outputs, which identifies the key risks; and
- the actuarial function which runs tests on the Company's balance sheet, for capital adequacy and produces the resultant output.

The Board reviews the report following completion of the ORSA process and considers the need for any management actions to be incorporated into the final ORSA report, such as:

- assessment of the appropriateness of the Solvency II Standard Formula for determining the Solvency Capital Requirements of the Company
- review of the Company's solvency capital calculations and scenarios
- decisions in relation to its capital
- reassessment of the Company's risk profile and appetite
- additional risk mitigation actions; and

- reassessment of the Company's investment strategy.

The results and conclusions contained in the final ORSA report and the Board's resultant actions and decisions, are communicated to all relevant staff, including outsourced control functions, once the report has been considered and approved by the Board.

Frequency

The ORSA process is repeated and an ORSA report prepared annually or earlier when certain material trigger events occur, as decided upon by the Company's Audit & Risk Committee in concert with the Board and in accordance with the ORSA policy.

Interaction of solvency and capital management with risk profile

The Aetna International Group capital management process monitors the capital requirements for the Company on a quarterly basis. As part of this, the risk management function prepares risk scorecard summaries, which include tolerances for monitoring the Own Funds available to meet the Company's Solvency Capital Requirement and Minimum Capital Requirement.

The solvency monitoring is reviewed under the capital management process so that any changes in business circumstances or its risk profile can be tracked for additional capital requirements.

The Company determined that the Solvency II Standard Formula would be used to calculate the required solvency capital and to assess the overall solvency needs. The Company administers a mono-line product with a short tail risk and the Solvency II Standard Formula is appropriate for the level of complexity in the Company's business. The AM Best capital model was also used to check capital requirements and the capital assessment under this model was slightly lower than the capital requirements under the Solvency II Standard Formula.

B.4 Internal Control System

Internal Control System Overview

The Company operates a "three lines of defence" internal control system:

First line – Business Controls

The Board owns and manages the risks of the Company and has responsibility for the Company's compliance with the requirements associated with the legal and regulatory environment in which it operates. The Board has implemented systems and controls, including appropriate internal policies and procedures, to comply with such requirements and to manage risks and monitor these alongside the development of its business strategy.

The Chief Executive Officer has been delegated responsibility by the Board for management of compliance with business controls and is responsible for reporting on such matters to the Board and its sub-committees.

Second line – Internal Control Functions

The compliance and risk management functions form the second line of defence to ensure that the Company has an effective risk management control system. Further detail on the Company's compliance function is provided below.

Third line - Internal Audit function

The internal audit function forms the final layer of the internal control system and is an independent and objective function which is ultimately responsible for providing the Board with assurance that the Company has effective internal controls. Further detail on the Company's internal audit function is provided in Section B5 below.

Compliance Function

The Compliance Function is responsible for:

- ***Compliance Risk Monitoring***

The Compliance Function identifies, assesses, monitors and reports to the Board (via the Audit & Risk Committee) on the Company's compliance risks (including the risk of it incurring legal and regulatory sanctions, significant financial loss, significant strategic or operational disruption, significant policyholder detriment or damage to reputation as a result of the Company's failure to comply with applicable laws and regulations). This includes reporting on any material non-compliance by the Company with such measures and/ or any applicable law and regulation.

- ***Supporting the implementation of legal & regulatory changes and internal controls***

The Compliance Function assists the business with the implementation of controls to address changes in the legal and regulatory environment and manage compliance risk. This includes advising the Board on the Company's compliance with the rules and other laws, regulations and administrative provisions adopted in accordance with the PRA Rulebook for Solvency II firms.

- ***Regulatory reporting and correspondence***

The Compliance Function coordinates and oversees the preparation and filing of non-finance related regulatory reports, non-product filings and correspondence with the Company's regulators.

The Chief Compliance Officer is responsible for discharging, managing and overseeing the Company's compliance function. He or his delegate reports to the Audit & Risk Committee on compliance matters on a quarterly basis – this includes details of any material compliance breaches and any corrective action undertaken in the previous reporting period.

The compliance function also provides updates on compliance activity at monthly management committee meetings, which are comprised of senior management and individuals from other key control functions (internal audit and risk).

The compliance function also has a reporting line into the Chief Executive Officer in respect of day to day compliance matters. It otherwise operates independently from the business teams of the Company as a second line of defence and the Chief Compliance Officer has a separate group reporting line into the Chief Ethics and Compliance Officer of Aetna Inc. This ensures that the compliance function is an effective and impartial compliance risk governance operation.

There is a compliance policy which is due for review annually and approved by the Board. The Chief Compliance Officer is responsible for this policy and ensuring that it is implemented. The Board ensures that the compliance function has the necessary access to all personnel (including third parties whom the Company deals with), systems and records in order that it can perform its role in full support and adherence of the compliance policy.

B.5 Internal Audit Function

The internal audit function of the Company is responsible for providing the Board with independent and objective assurance in respect of the Company's system of governance; in particular, it assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management, internal control.

There is a dedicated internal audit team in the UK which has a primary focus on Aetna International's business and specifically covers the Company. This team forms part of the wider CVS Group internal audit function which is headed by the Head of Internal Audit for Aetna Inc.

The Company's Head of Internal Audit is primarily responsible for overseeing and discharging the Company's internal audit function with the support of a local internal audit team.

The Company's Head of Internal Audit and/or his delegate reports to the Company's Audit & Risk Committee on a quarterly basis. This reporting structure ensures that audit issues and action plans receive adequate consideration and effective action.

The Company's internal audit charter also provides a mechanism for the Chairman of the Audit & Risk Committee to engage directly with the head of the internal audit function, independent of the executive management.

The planning process includes management input, a review of emerging risks and professional auditor judgment. The internal audit charter for the Company also provides for the Audit & Risk Committee to request ad-hoc or specific internal audit reviews for the Company, if the Audit & Risk Committee deems this necessary. The Audit & Risk Committee approves the annual internal audit plan for the Company.

Results and conclusions of audit work are reviewed with operating and financial management directly responsible for the activity being evaluated and other management, as deemed appropriate. The purpose of reviewing results is to reach an agreement as to the facts presented by the auditors and to obtain management action plans to address issues. Communications include the engagement's objectives and scope, as well as applicable conclusions, recommendations, and action plans.

Once an audit is completed and results are communicated, the internal audit function follow-up to ensure that management action plans ("**MAPs**") are effectively implemented. The status of all management action plans will be reported quarterly to the Company's senior management and Audit & Risk Committee, with specific details around any MAPs delayed past their due date.

B.6 Actuarial Function

The actuarial function is responsible for the following activities:

- co-ordination of the calculation of technical provisions. This consists of assessing the sufficiency of the provisions, assessing the uncertainty in the estimates, and justifying the differences between successive periods
- reviewing the appropriateness of the models and assumptions, considering the sufficiency and quality of data, and interpreting deviations of best estimates against experience. There is also a requirement to consider the verifiability of assumed management actions
- providing opinions on underwriting policy and reinsurance arrangements
- contributing to the effective implementation of the risk management system of the Company. In particular:
    - in relation to the Solvency Capital Requirement ("**SCR**") and Minimum Capital Requirement ("**MCR**"), the Company's Chief Actuary reviews the output of the model used by the Company to calculate the SCR and MCR. Specifically, any perceived or possible inconsistencies or issues identified in the model results are raised; and
    - the Chief Actuary approves the preparation of the ORSA presented to the Audit & Risk Committee in conjunction with the risk management function.

The Chief Actuary is responsible for discharging, managing, and overseeing the actuarial function. In addition to ad-hoc updates to the Board and Audit & Risk Committee (as may be required from time to time), the Chief Actuary is required to produce an annual report for the Board. This report covers all the information necessary for the Board to form its own opinion on the adequacy of technical provisions and on the underwriting and reinsurance arrangements of the Company.

B.7 Outsourcing

The Company outsources and enters into outsourcing arrangements only where there is a sound commercial basis for doing so, and where the risk can be effectively managed. A due diligence process is undertaken prior to any final decision being made as to whether to outsource a material business activity. This addresses all material factors that would impact on the potential service provider's ability to perform the business activity.

The Company has established an Outsourcing Policy setting out the requirements for identifying, justifying and implementing material outsourcing arrangements.

This Policy has been adopted by the Company and covers the following:

- definition of outsourcing
- risk mitigation strategies
- Board and management responsibility
- internal control procedures
- due diligence
- business continuity management
- contractual agreements
- management and control of the outsourcing relationship; and
- final approval.

The Company's outsourcing arrangements are subject to an annual review and a report with any findings from that review are presented to the Board.

The following table details the critical or important operational functions the Company has outsourced together with the jurisdiction in which the providers of such functions or activities are located:

Outsourced Provider	Service Outsourced	Intra-Group/ Third Party	Jurisdiction	Outsourcing Manager
Aetna Global Benefits (UK) Limited	Operations (including claims management Sales Actuarial Finance Underwriting Internal Audit Risk Management Legal Compliance Tax Information Technology and Infrastructure	Intra-Group	United Kingdom	Chief Executive Officer/ Chief Finance Officer
Aetna Life Insurance Company	Investment Management	Intra-Group	United States of America	Chief Finance Officer
PWC	Tax compliance services	Third Party	United Kingdom	Chief Finance Officer
HGS	Claims processing	Third Party	India	Chief Executive Officer
Genpact	Call centre	Third Party	Manila	Chief Executive Officer
Microsoft	Cloud services (Azure) for information systems, networking & disaster recover.	Third Party sub-contractor	UK	Aetna International IT Director - Dan Veitch

B.8 Any other information

The Company has assessed its system of governance and has concluded that it effectively provides for the sound and prudent management of the business and that it is proportionate to the nature, scale and complexity of the operations of the Company.

There were no material changes to the system of governance during 2022 (save as those noted elsewhere in this report).

C. RISK PROFILE

Risk management objectives and risk policies overview

The Company is exposed to a variety of risks when undertaking its activities. The Board has policies in place to identify and manage the key risks in accordance with its risk appetite. The key risks that the Company is exposed to are as follows:

- underwriting (insurance) risk
- market risk
- credit risk
- liquidity risk
- operational risk; and
- Regulatory risk and capital management

The Board approves the use of the Standard Formula to calculate the level of risk margin required to manage the key risks. A quantitative analysis of the risk margin required for each key risk is shown in the table below, with comparatives for the prior year.

SCR Calculation	2022 $000	2021 $000
Market Risk	24,192	23,425
Default Risk	6,114	13,669
Health Risk	6,088	47,078
Diversification	-7,655	-21,045
Basic Solvency Capital Requirement	**28,739**	**63,127**
Operational Risk	7,539	9,279
SCR	**36,278**	**72,406**
Surplus Solvency Margin	108,789	103,697
Total Eligible Own Funds after restriction for Singapore RFF	**145,067**	**176,103**
SCR Ratio	400%	243%
Minimum Solvency Requirement	12,984	19,980

The following sections outline the Company's views on each of these risks and the measures and controls in place to manage them.

C.1 Underwriting Risk

The Company stopped writing all business on 31st October 2022 and the Board confirmed the decision to enter into runoff on 8th November 2022. Prior to this, the migration of business as agreed in the APA commenced on a phased basis in July 2022, with all company risks expected to expire by 31st October 2023. AICL also entered into a reinsurance agreement with ALIC, effective from 1 January 2023, to cover all claims paid after that date. The underwriting risk has therefore significantly diminished for the Company.

With the Company entering runoff and retaining some unexpired risks, the key elements of the Company's insurance risk management framework are reserving risk and reinsurance risk.

Reserving risk

Reserve risk arises from failing to set sufficient cash reserves to cover the uncertainty surrounding the timing, frequency and severity of claims costs.

To manage reserving risk and ultimate reserves risk, management employs a number of techniques to monitor premium and claims development patterns. An external independent actuary also performs an annual review of claims reserves.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time. The reinsurance agreement with ALIC also reduces the reserving risk significantly.

Reinsurance strategy

The Company has entered into 100% quota share ("QS") reinsurance agreement with Aetna Life Insurance Company, a related party in the CVS Health Group, with effect from 1st January 2023. The purpose of the QS is to provide policyholders with an additional level of security during run-off. ALIC is contractually bound to provide funds to cover all of the claims liabilities that fall due as the business runs off. The QS reinsurance provides cover for both future periods from in force contracts and was as historic claims periods. The reinsurance will continue for the duration of the run-off period on a funds withheld basis. AICL will not transfer any cash to ALIC until the termination of the reinsurance and will aim to retain sufficient cash resources to meet the expected claims liabilities during run-off.

The Company previously had in place an excess of loss reinsurance arrangement with Aetna Life & Casualty (Bermuda) Limited, also a related party in the CVS Health Group, and this reinsurance arrangement was fully commuted on the 1st January 2023.

The reinsurance risk associated with the ALIC reinsurance agreement arises from counterparty default risk and the Company considers there to be a low level of counterparty risk as:

- the transaction is on a funds-withheld basis. No cash will be transferred to the reinsurer and sufficient cash is able to be retained to meet claims liabilities until an end-of-contract true-up;
- ALIC has strong external credit ratings (A2 Moody's; A- S&P; A AM Best); and
- ALIC is highly capitalised, with overall available capital of USD 6.2bn. As at 31 December 2022 ALIC had a risk-based capital (**RBC**) ratio of 489% of the 'Company Action Level' (**CAL**) and 244.5% of the 'Authorized Control Level' (**ACL**)[1].

Material changes to the measures used to assess underwriting risk

There were no material changes to the measures used to assess underwriting risk in the period up until the Company ceased to write business.

C.2 Market Risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and prices will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income.

The Board approved investments parameters recognise the "prudent person principle" in relation to the management of assets held by the Company, including selection criteria to ensure the assets selected meet clearly identifiable, easily tradable, meet minimum credit rating criteria and that the market valuation can easily be verified by an independent party.

[1] The ACL and CAL represent levels of capital which may trigger intervention by the Connecticut state regulator. At the ACL, the state may take control of an insurer. The CAL represents a level whereby recovery/corrective plans must be submitted to the regulator. The CAL is set at double the RBC of the ACL.

The components of the Company’s market risk are shown below.

Market Risk Component	Description
Spread risk	The potential financial loss due to the increase in spread that an asset trades at relative to comparable government bonds.
Currency risk	The potential financial loss due from the change in currency exchange rates causing an adverse change in value of the liabilities compared to assets held.
Interest rate risk	The potential financial loss due to a reduction in value of the investment portfolio due to a change in interest rates.

Spread risk mitigation

There are investment parameters approved by the Board, which focus on high quality debt instruments. The investment assets include a bias towards highly liquid, sovereign government bonds. The Board reviews performance against the investment parameters and their effectiveness on a quarterly basis and the investment parameters are reviewed and approved by the Board annually. The Board agreed to switch out of the long term investment bonds into shorter term bonds and commercial paper in May 2022, which removes market volatility risk for the Company's financial assets during the run-off.

Currency risk mitigation

Management reviews the matching of assets and liabilities regularly and reports to the Board (who discusses the effectiveness of the mitigation) on a quarterly basis. There are no material market currency risks which require action.

Interest rate risk mitigation

Interest rate risk is the risk the unfavourable movements in interest rates could adversely impact on the capital values of the Company's financial assets and liabilities.

The investment strategy approved by the Board is focused on high quality, short duration debt instruments, including cash equivalents which have replaced the longer duration corporate bonds. An analysis of the Company's invested assets is detailed in the table below:

Bonds to Maturity	< 3 months $000	4-6 months $000	6-12 months $000	Over 12 months $000	Total $000
US Government Bonds	61,733	-	-	-	61,733
Singapore Government Bonds	53,462	-	-	-	53,462
Corporate Bonds and Commercial Paper	78,170	-	-	-	78,170
Total	**193,365**	**-**	**-**	**-**	**193,365**

Whilst the Company transacts business with insureds who are domiciled in countries outside of the UK, it principally denominates its insurance contracts in USD, its functional currency.

As illustrated above the Company invests in in short term government bonds, corporate bonds, and commercial paper. Since the funds are short-term, they are not subject to large movements from changes in interest rates. The Company does not hold any external borrowings as part of its financial liabilities profile at the balance sheet date so is not exposed to any movement in market interest rates.

The Board reviews performance against the investment strategy and their effectiveness on a quarterly basis and the investment strategy is reviewed and approved by the Board annually. The quarterly monitoring of asset duration is effective for mitigating against changes in interest rates.

Any interest rate risk arising on the Company is minimal.

Material changes to the measures used to assess market risk

There are no material changes to the measures used to assess market risk as listed in the period.

C.3 Credit Risk

The Company defines credit risk as the risk of financial loss to the Company should a counterparty fail to meet its contractual obligations.

The Company only holds investment and cash balances in accordance with the credit ratings specified in the Board approved investment parameters (which as noted earlier recognise the "prudent person principle") to mitigate the risk of financial loss from counterparty default. The Company has used credit quality steps based on ratings from its nominated External Credit Assessment Institutions ("**ECAIs**") when calculating its counterparty default risk.

The Company's investments and cash ratings are represented in the table below:

Asset Class	Credit Rating	ECAI	% Held	Solvency II Quality Credit Step
Investment Bonds	AAA	S&P		1
Investment Bonds	AA	S&P	-	2
Investment Bonds	A	S&P	22%	2
Investment Bonds	Prime 1	Moody	63%	2
Investment Bonds	Prime 2	Moody	-	2
Investment Bonds	AA	Fitch	-	2
Investment Bonds	A	Fitch	-	2
Cash	Prime 1	Moody	15%	2
Cash	Prime 2	Moody		

The Board receives a report on a quarterly basis which monitors the effectiveness of, and compliance with, the investment parameters. The risk appetite for the range of credit ratings allowable for investments and the quarterly monitoring is effective in managing the default risk from counterparties. There were no material changes in the mix of credit ratings attaching to the Company's assets during the Reporting Period.

Policyholder receivable balances are diversified, but unrated, and are continually monitored by the Company's credit control function for impairment, with policies suspended and or cancelled in the event a policyholder breaches premium payment term.

C.4 Liquidity Risk

Liquidity risk is the risk that the Company does not have timely access to sufficient cash reserves in order to satisfy its obligations as they fall due.

The Company's principal obligations relate to the settlement of claims arising on its insurance contracts. The nature of the Company's insurance activities is such that the profile of claims incurred follows a high frequency, low severity profile.

Such a profile lends itself more readily to cash requirement forecasting than low frequency high severity insurance lines of business such as property catastrophe, thereby reducing inherent liquidity risk.

The Group Capital committee monitors the solvency position of the Company and the liquidity requirements for the service company in a quarterly basis, including forward looking solvency and liquidity forecasts. The Company's finance function forecasts cash requirements monthly and quarterly cash forecasts are reviewed with the investment manager. The forecasting process considers the nature and duration of technical provisions in accordance with the "prudent person principle" under Solvency II rules. The liquidity analysis on the next table, show that there is cash and cash deposits of $34,906k currently available to meet the technical provisions of $104,136k.

The level of cash retained versus cash released for investment is monitored and reported to the Board. The Board set minimum cash balances to be maintained, depending on the volatility expected in the cash flow forecasts. The Risk Appetite Statement includes specific measures in relation to the liquidity requirements and the liquidity risk tolerance is reported in a quarterly risk scorecard to the Board.

Allied to this is the Company's strategy of investing all of its current investment portfolio in a in high credit quality short duration securities, total investments of $193,365k, which provides access to substantial immediate liquidity should this become necessary.

The contracts in force as at 31st December 2022 are not expected to generate a positive cash flow.

The table below provides details of the liquidity and duration of Company's financial assets, invested assets and cash as at 31 December 2022:

TC4.1	$000	% Total
Cash on demand	19,545	9%
Cash on deposit (redeemable within 1 month)	15,361	7%
Investment Bonds < 3 months to maturity	193,365	84%
Investment Bonds > 3 months to maturity	-	-
Total	**228,271**	**100%**

Change in measures used to assess liquidity requirements

The calculation of the technical provisions includes anticipated margin on the unwinding of future cash flows, with full provision maintained for past due premiums.

C.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management and is overseen by the Board. Compliance with the Company's standards is supported by a programme of periodic reviews undertaken by the internal audit function.

The results of internal audit reviews are discussed with the management teams, with summaries submitted to the Audit & Risk Committee and senior management of the Company.

The Company also considers different stress scenarios, including failure of IT operating platforms, loss of key talent and the loss of Farnborough office. The CVS Group maintains strict security protocols for all hardware and software used within the Group, whereby all Group sites are subject to Group protocols in relation to the installation of IT software and IT infrastructure.

The Group IT security function operate scanning controls across all applications and software used by the Company. There are escalation procedures in place for any identified Cyber Threats and the Group IT Security provide summary IT security reports on a quarterly basis to the Board. The Board has also approved risk tolerances for the level of notifiable security breaches, and these are included in the quarterly risk scorecard presented to the Board.

There are documented controls included in the Company ORSA which mitigate against the loss of operations for these key risks. There are documented procedures for the key controls and monitoring processes.

Under the reverse stress tests documented in the ORSA, the most extreme and unlikely event to impact the operations of the Company would be if the CVS Group was unable to continue operations. A secondary event which could disrupt operations would be a major incident at the Farnborough office. However, the disruption caused by any such event would be reduced by activating the business continuity plan, which is regularly tested and documented.

There were no material changes to the Company's outsourcing risk profile during the period.

C.6 Stress Testing and Sensitivities

The Company has performed stress and scenario testing of the material risks to which it is exposed. The Company has sufficient Own Funds to meet its SCR. There are no realistic stress scenarios that could bring the Company's Own Funds below its SCR and the Company is more than adequately capitalised to absorb losses.

The Company also completes reverse stress tests on an annual basis to examine the conditions that would render the Company's business model unviable

The table below provides summary details of the stress and scenario testing completed for the Company's run-off:

Type of Test	Risks Covered	Timeline
Stress & Scenario Testing:		
Run-off planning	Material risks over 1-year planning period	Annually
	Material risks over 3-year planning period	Annually
Risk specific	Liquidity risks	Monthly
	Market risks	Quarterly
Reverse Stress Testing:		
Business Planning	Solvency & Capital	Annually
	Liquidity	Annually
Strategic	Strategic & reputational	Annually

AICL has considered the following stress tests that have an impact on the projected SCR calculations over the runoff period:

- Total expense base inflation (cumulative each year);
- Medical claims cost inflation (cumulative each year); and
- Aggregate impact of inflation on both expenses and medical claims at the same time;

The stress tests were completed allowing for proposed capital extractions of USD 45m in 2022 and a further USD 50m in 2023 and:

- Stress testing for inflationary increases to the total expense base for run-off, adding a higher inflation rate for each year from 2023 to 2027, where the base rates also increase each year for the prior year's additional inflation.
- Stress testing for medical claims costs, noting that claims can only be submitted for treatment occurring in the cover periods of the policy and billing rates will apply at the date of treatment, not when claim is submitted.

- Aggregate stress test assuming inflationary pressure on general expenses and medical claims costs occur at the same time.
- The stress test results show the level of inflation that can be absorbed allowing for the planned capital contributions noted above to occur.

The results of the stress tests are shown in the table below and the conclusions are:

- Inflation on expenses would have to be circa 18% to 20% above the current forecast inflation assumptions p.a. in each of 2023 and 2024 to breach AICL's internal target solvency cover of 150% at December 2024;
- Medical cost inflation would have to be 18% higher than the current reserving estimate for the incurred claims in H2 2022 and 2023 to breach the internal target solvency cover of 150% at December 2023;

The assumed capital extractions have not yet taken place and would be subject to a review of AICL's financial performance during 2023. As such, the impact of inflation in 2022 and 2023 on AICL's solvency position would be assessed before recommending any capital extraction in 2023.

In order to monitor the severity and impact of material risks on the Company's runoff plans, the stress tests detailed in the table below were included as part of the Company's ORSA:

Stress Test	**0**	**1**	**2**	**3**	**4**	**5**
USD $m	**FY 2022* Forecast**	**FY 2023* Forecast**	**FY 2024* Forecast**	**FY 2025* Forecast**	**FY 2026* Forecast**	**FY 2027* Forecast**
Capital surplus over 150% solvency ratio after capital extraction	**9.8**	**10.6**	**16.3**	**16.7**	**17.0**	**17.1**
G&A cash flows subject to stress	-	37.9	7.4	1.9	2.0	2.6
% inflation stress in each year	-	18%	18%	18%	18%	18%
Cumulative inflation stress	-	5.5	8.1	9.2	10.9	14.1
Capital surplus after G&A inflation stress	**9.8**	**5.1**	**8.2**	**7.5**	**6.1**	**3.0**
Gross incurred claims subject to medical inflation	40.2	22.1	-	-	-	-
% inflation stress in each year	9%	18%	-	-	-	-
Cumulative inflation stress	3.6	9.9	9.9	9.9	9.9	9.9
Capital surplus after medical cost inflation stress (excluding RI)	**6.2**	**0.7**	**6.4**	**6.8**	**7.1**	**7.2**
Capital surplus after medical cost inflation stress (including RI)	**6.2**	**6.0**	**12.6**	**13.1**	**13.4**	**13.6**
Capital surplus after combined G&A and medical cost inflation stress (excluding RI)	**6.2**	**(4.8)**	**(1.7)**	**(2.6)**	**(4.0)**	**(6.9)**
Capital surplus after combined G&A and medical cost inflation stress (including RI)	**6.2**	**1.5**	**4.4**	**3.8**	**2.4**	**(0.6)**

The test results were performed for the Company's run-off plans approved by the Board on 8th November 2022. The data used for the base scenario testing, was based on forecast planning assumptions in line with the cessation of writing business on 31st October 2022.

In addition to the stress tests completed above, the Company also identified circumstances that could potentially render its business model unviable, including the effects of the failure of the parent company and the impact of significant operational failures or regulatory interventions on the business that could result in business failure. There are mitigating controls identified in the Company's ORSA for the additional scenarios considered and there are no additional actions for the Company.

C.7 Regulatory risk and capital management

Regulatory risk is the risk that the Company breaches the requirements of local regulatory bodies, most notably the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The company mitigates this risk through the effective operation of defined governance structures and effective capital management. The Company is required to hold sufficient capital to comply with the capital requirements applicable to Solvency II firms under the PRA rulebook. The Company has complied with these capital requirements throughout the period. Management also carries out its own assessment of the level of capital resources it regards as appropriate more than these regulatory minima.

C.8 Other Material Risks

Climate Change

The risk management framework has been updated to ensure any risks resulting from climate change are tracked for their impact to the Company's business, including any potential impact for the Company's existing customer base

Whilst there are no material risks emerging from climate change which impact the Company's business at this time, management continue to review the potential impact of climate change with other parts of the CVS/Aetna Group.

As opportunities arise to renew office occupancy, management will consider office requirements under flexible working arrangements and ESG factors for choice of office location.

The Group Investment manager has already been talking to various external parties, including Moodys, about the use of ESG factors for bond/equity issuers. The Group has not yet made any strategic decision about the use of ESG factors for investment decisions but will continue to monitor the markets and collect data.

Industry factors are considered for underwriting protocols, but there have been no changes to the underwriting strategy because of climate change factors. The company will continue to integrate its strategic thinking with the Group for the potential of climate change factors that may impact its customer base.

C.9 Other material information

The information presented in Section C represents the Company's risk profile. There is no other additional information to disclose.

D. VALUATION FOR SOLVENCY PURPOSES

The following table analyses the Company's assets and liabilities on 31st December 2022, showing the movement between the IFRS valuation and the Solvency II valuation.

TD.1 Net Assets $000	Section Notes	IFRS 2022	Valuation & Reclassification Adjustments 2022	Solvency II 2022	Solvency II 2021
Deferred Acquisition Costs	D1 - 1	5,100	(5,100)	-	-
Intangible Asset	D1 - 2	0	0	-	-
Deferred Tax	D1 - 3	-	-	-	-
Financial Investments:	-	-	-	-	-
Government Bonds	D1 - 4	115,194	1	115,195	105,854
Corporate Bonds & Commercial Paper	D1 - 4	78,170	-	78,170	93,178
Deposits other than Cash Equivalents	D1 - 4	-	15,361	15,361	29,491
Reinsurance recoverable	D1 - 5	-	(1,578)	(1,578)	2,503
Insurance receivables	D1 - 6	34,658	(5,940)	28,718	61,291
Reinsurance receivables	D1 - 7	1,627	(60)	1,567	1,246
Trade receivables	D1 - 8	441	(1)	440	804
Cash and cash equivalents	D1 - 9	34,906	(15,361)	19,545	28,935
Total Assets		**270,096**	**(12,678)**	**257,418**	**323,302**
Technical Provisions	D2	62,494	43,577	106,071	141,928
Insurance Balances payable	D3 - 10	22,079	(19,868)	2,211	-
Reinsurance payables	D3 - 11	100	0	100	832
Trade and other payables	D3 - 12	6,062	(2,439)	3,623	2,407
Other Liabilities	D3 - 13	346	-	346	2,032
Total Liabilities		**91,081**	**21,270**	**112,351**	**147,199**
Net Assets/Own Funds	**E**	**179,015**	**(33,948)**	**145,067**	**176,103**

D.1 Assets

Assets are valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The Company closely monitors the valuation of assets and considers if there are any changes in circumstances which might require a change in the valuation applied. Such changes might include:

- new market developments that change market conditions
- new information
- information previously used is no longer available; and
- improvements to valuation techniques.

The Company also applies the materiality principle, applying judgements to estimates and estimation methods where necessary. The principles that have been applied to the valuation of the financial assets is detailed further below.

There were no changes to the recognition and valuation bases used or to estimations during the reporting period.

Note 1: Deferred Acquisition Costs

Deferred acquisition costs of $5,100k are excluded from the valuation of assets for solvency purposes. Under Solvency II rules, the value of deferred acquisition costs was recognised at nil.

Note 2: Intangible Assets

Intangible assets representing the amortisation of a premium paid for renewal rights on a portfolio are excluded from the valuation of assets for solvency purposes. Under solvency valuation rules the intangible assets are recognised at nil.

Note 3: Deferred Tax

Deferred tax is estimated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is not recognised in the 2022 Solvency II balance sheet (2021: Nil) as there is insufficient evidence at the reporting date in relation to the timing of the future economic benefits for the utilisation of the cumulative tax losses. Due to the Company entering runoff, it is not anticipated that a deferred tax asset will be created in the future.

As at £1 December 2022, there are unutilised tax losses of $68,015k (tax affected: $17,004k) (2021: Gross $79,039k, tax affected : $19,760k) on which no deferred tax asset has been recognised. The net assets under Solvency II valuation rules decreased by $33,948k (2021 decrease: $3,104k) and therefore the unused tax losses under Solvency II valuation rules are $101,963k ($25,491k tax affected) accordingly. The main drivers for the Solvency II valuation changes were the de-recognition of the deferred acquisition costs $5,100k, additional runoff expense provision in the technical provisions of $43,966k, offset by the removal of prudence and other Solvency II valuation changes in the calculation of the premiums and claims provisions.

Note 4 Financial Investments

The financial assets include investments in government bonds, corporate bonds and commercial paper in accordance with the Board approved investment parameters. The assets are included at fair value using a mark to market approach, based on readily available market prices that are sourced independently. Quotations are considered as active market prices if the quoted prices or rates represent actual and regularly occurring transactions that are available from a stock exchange, dealer or broker.

The investments are valued under the IFRS Level 1 and the Level 2 tier of fair value hierarchy, which link into the Solvency II valuation hierarchy.

The Levelling hierarchies are as follows:

Level 1: quoted prices (Unadjusted) on an active market for identical assets and liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Accrued income included in trade receivables under IFRS rules, is added to the market value of the investment bonds under Solvency II valuation rules. There has been no adjustment to the valuation of the financial investments in the Company's financial statements for the Reporting Period, except for accrued income adjustment and the valuation is based on quoted market prices at the valuation date.

Cash held on fixed term deposit is valued at fair value, representing the valuation of the cash that could be exchanged between two knowledgeable parties in an arm's length transaction. The deposits are renewed monthly for fixed terms. Consequently, there is less than 12 months to maturity and the value of the deposit has not been discounted. These fixed term cash deposits are reclassified as financial assets in the Solvency II balance sheet.

TD2	IFRS	Valuation & Reclassification Adjustment	Solvency II
Government Bonds	115,194	1	115,195
Corporate Bonds & Commercial Paper	78,170		78,170
Cash Deposit	-	15,361	15,361
Total Financial Investments	**193,364**	**15,361**	**208,726**

Note 5: Reinsurance recoverable

The excess of loss reinsurance program that was in place for the prior period was fully commuted on 31st December 2022 and there are no future cash flows in or out under this program.

For the QS reinsurance arrangement that is effective from the 1st January 2023 with ALIC, the actuarial reserving director has reviewed the events that create a recoverable cash flow under the QS reinsurance and the amounts included in the valuation are consistent with the terms of the reinsurance agreement.

The QS reinsurance agreement will operate on a funds withheld basis, where the Company will retain sufficient funds to meet all its future expected claims. The amount included in the balance sheet represents a current estimate for the net cash reinsurance cash settlement in the future. This includes the assumed transfer of all existing policy liabilities and a recovery of the Company's claims handling costs for all future claims. The net settlement position at the end of the run-off period is assumed to be a cash outflow.

Note 6: Insurance Receivables

Insurance receivables comprise amounts past due at the valuation date. The reclassification adjustment below represents the movement of premiums not due at the valuation date out of non-technical assets and into the calculation of the technical provisions under Solvency II valuation rules.

The balance decreased in 2022 in line with the business changes as the company commenced the phased migration of business under the APA and entered run-off in November.

There are controls and procedures in place to check to ensure the accuracy of invoicing and the monitoring of premiums collected. Summary reports and analysis on the recoverability of debts is provided to senior management and the Board. The valuation of the asset takes into account the effectiveness of the controls and includes an allowance for unrecoverable debts. The valuation included in the Solvency II balance sheet represents all insurance balances past due, which are also expected to be paid in less than 12 months from the valuation date.

The insurance balances receivable in the financial statements also includes insurance balances recoverable from related parties within the Group $5,027k (2021: $14,637k) and $6,824k (2021: 10,455k) due from fronting partners, where premiums have been paid by the policyholders to the other insurance company (fronter) and agreed for settlement with the Company. These balances are also past due and will be recovered within 12 months from the valuation date.

The reclassification adjustment for $5,940k relates to premiums that are not past due at the balance sheet date and a corresponding adjustment is included in the Technical Provisions

$000	IFRS	Valuation & Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II 2022	Solvency II 2021
Insurance Receivables	34,658	(5,940)	-	28,718	61,291

Note 7: Reinsurance receivables

Reinsurance recoveries on claims already paid by the Company (but for which payment is yet to be received from the reinsurer), are treated as "reinsurance receivables".

There are procedures and controls in place to ensure the accurate recording of claims paid and recorded for recovery under the excess of loss reinsurance treaty. Summary reports are provided and discussed with the related party reinsurer. The amounts receivable in the Solvency II valuation represents the balance due for settlement under the commutation agreement effective on 1st January 2023

Note 8: Other Trade receivables

The receivables (trade, not insurance balances) relate to receivables from related party entities within the Group, which are due within 1 year and carrying value are taken to approximate fair values under Solvency II valuation rules. The value stated represents the amount that could be exchanged between two knowledgeable and willing parties in an arm's length transaction.

The 2022 valuation does not include prepayments (2021: Nil)

The reclassification adjustment relates to accrued interest on the investment bonds, which is reclassified as financial asset under Solvency II valuation rules.

$000	IFRS	Valuation & Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II 2021	Solvency II 2021
Trade Receivables	441	(1)	-	440	804

Note 9: Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks. Cash and cash equivalents are held at fair value under Solvency II. The cash on fixed term deposit has been reclassified in the Solvency II balance sheet as financial investments, per note 4 above.

$000	IFRS	Valuation & Reclassification Adjustment	Solvency II
Cash and cash equivalents	34,906	(15,361)	19,545
Total cash	**34,906**	**(15,361)**	**19,545**

D.2 Technical Provisions

The technical provisions are calculated for the Company's single line of business, Medical Expenses Insurance. The technical provisions comprise the Best Estimate Liabilities ("**BEL**") and the risk margin, under Solvency II rules. On 31st December 2022, the gross technical provisions were:

Technical Provisions	2022 $000	2021 $000
Best Estimate Liabilities (BEL)	104,932	136,780
Risk Margin	1,139	5,148
Total	**106,071**	**141,928**

The main impact for the decrease in value of the 2022 technical provisions was the reduction in the level of business, offset in part by the runoff expense allowance of $43,966k. There are no other material changes to inputs and assumptions used for the valuation of the technical provisions.

BEL

The BEL is calculated as the sum of a Gross Premium Reserve and Gross Claims Reserve.

Gross Claims Reserve

The best estimate of provisions for claims outstanding (referred to as the Gross Claims Reserve) is the expected present value of all future claim and expense cash flows related to claim events that occurred prior to the valuation date. Any explicit prudence included the IFRS Outstanding Claims reserve is removed to calculate the best estimate Gross Claims Reserve. Claims cash flows are then projected based on historical payment patterns of the business.

An allowance is included for the best estimate value of expenses (including direct and indirect costs) relating to the settling of these claims.

An adjustment is also made to include other accounting liabilities representing future claims cash flows, such as claims payable that are not already included in the IFRS Outstanding Claims reserve and ENIDs.

Gross Premium Reserve

The Gross Premium Reserve is the expected present value respect of future claim, expense and premium cash flows relating to claims events occurring after the valuation date and before the end of the insurance coverage period for the relevant policies. This includes a transfer from insurance receivables for future premium cash flows due under policy contracts issued at the valuation date.

The claims cash flows for this reserve are calculated by projecting the future premiums to be earned on business that is legally bound at the valuation date (including business not yet incepted at the valuation date) to the end of the coverage period of the relevant policies.

Future expected incurred claims are projected by applying an appropriate loss ratio to the future earned premium; the corresponding claims cash flows are then projected based on historical payment patterns.

An allowance is included for the best estimate value of expense cash flows (including direct and indirect costs) relating to the settling of these claims and future administration of these policies. This expense allowance has increased significantly from 2021 as, due to the run-off of AICL, it now includes the bulk of all future expenses expected to be incurred by AICL. The Gross Premium Reserve includes allowance for the value of premiums not yet due and other relevant insurance receivables or payables.

The BEL claims cash flows include allowance for ENIDs so that the BEL reflects an expected probability-weighted average of future cash flows.

The cash flows for the Gross Claims Reserve and Gross Premium Reserve are then discounted at yields provided by the PRA, depending on the projected timing and currency of the cash flows.

Risk Margin

The risk margin is calculated using the following assumptions:

- the business, including reinsurance, is transferred to a reference undertaking with no other insurance obligations or own funds before the transfer, and which does not write any further business (including renewals of existing business)
- the reference undertaking is capitalized as described under Solvency II rules and
- The assets are selected to minimize market risk

The SCR under the above assumptions is projected for future years using key risk drivers. The risk margin is calculated by multiplying the projected SCRs by a 6% Cost of Capital and discounting to the valuation date.

IFRS value of technical reserves vs Solvency II Technical Provisions

The quantification of the difference between the IFRS value of technical reserves and the Solvency II Technical Provisions for the Company (which consists only of Medical Expenses business) is shown below:

	2022 $000	2021 $000
IFRS Outstanding Claims Reserve (OCR)	**23,497**	46,453
IFRS Unearned Premium Reserve (UPR)	**38,997**	120,270
IFRS Technical reserve	**62,494**	166,722
Remove:		
Prudence in IFRS Outstanding Claims Reserve	**(1,639)**	(3,241)
Unearned Premium Reserve	**(38,997)**	(120,270)
Premiums not yet due and other receivables/payables	**13,928**	(13,209)
Add:		
Project Gross Premium Reserve claims (excluding Business Bound Not Incepted)	**26,200**	90,846
Additional allowance for Events Not In Data	**1,682**	6,216
Best estimate expense allowance for incepted contracts	**43,966**	25,037
Net Bound But Not Incepted (BBNI) cashflows	**-**	(14,896)
Discounting of claims and expense cashflows	**(2,702)**	(425)
Total IFRS to Solvency II Best Estimate adjustments	**42,438**	**(29,942)**
Best Estimate Liability	**104,932**	136,780
Add Risk Margin	**1,139**	5,148
Technical Provisions	106,071	141,928

Technical Provisions – Uncertainty

The main sources of uncertainty in the technical provisions relate to cases where actual claims or expense experience may emerge to be worse than expected. The following are key areas where actual experience may differ from that assumed in the technical provision calculation:

- Actual claims experience for past dates of treatment could be higher than that estimated in the claims reserve
- Claims experience on incepted and bound but not incepted contracts for future dates of treatment could be higher than that estimated in the premium reserve
- Actual expense costs relating to claims yet to be paid could be higher than expected

Note that several factors may affect the actual emerging experience in the above areas, such as individual large claims, particular population-based trends in a region or operational aspects such as delays in claims submissions from providers.

Illustrative sensitivities of the Best Estimate Liability to these factors, based on provisional annual results to be submitted to the PRA, are set out in the table below, together with two combination sensitivities (items d and e) which represent a high and low estimate for plausible deviations to the actual medical benefit ratio ("MBR") from that assumed:

	Best Estimate Gross of RI ($ m)	Change in Best estimate Gross of RI ($ m)	Best Estimate Net of RI ($ m)	Change in Best estimate net of RI ($ m)
YE22 Best Estimate	104.9	-	106.5	-
i) 1% Increase in MBR on Unearned Exposure	105.3	0.4	106.5	-
ii) 1% Increase in MBR on Earned Exposure	106.3	1.3	106.5	-
iii) 10% Increase in Expense reserve	109.3	4.4	110.9	4.4
iv) Combined scenario – high sensitivity	111.8	6.9	110.9	4.4
v) Combined scenario - low sensitivity	103.8	-1.2	110.9	4.4

The high sensitivity assumes that each of the scenarios described below occur within 12 months

- The actual MBR on Unearned exposure is 1% higher than the Solvency II Best Estimate
- The MBR on Earned exposure is 1% higher than the Solvency II best estimate assumption for each segment of business for the last six treatment months of 2021
- Expenses rise 10% above the best estimate assumption

In this case, the Best Estimate Liability would increase by $6.5m. It is worth noting that for such an increase in TP (assuming no change in Solvency Capital Requirement) the AICL solvency ratio would remain comfortably above its risk appetite target.

The low sensitivity assumes that only a 3% decrease in MBR on Unearned Exposure occurs in the next 12 months.

D.3 Other Liabilities

Note 10: Insurance Balances payable

The insurance balances payable included in the Financial Statements have been included in the technical provisions. Claims liabilities included under insurance balances payable in the IFRS balance sheet represent claims received but not completed for settlement and therefore included in the calculation of the Technical Provisions under Solvency II valuation rules.

The technical provisions also include allowances for broker commissions and premium taxes payable, being amounts that are linked to future cashflows and payable in a future period.

There are no insurance balances liabilities presented as past due at the valuation date (2021: Nil).

$m	IFRS	Valuation & Reclassification Adjustments	Solvency II Valuation Adjustments	2022 Solvency II	2021 Solvency II
Insurance Balances Payable	22,079	(19,868)	-	2,211	-

Note 11: Reinsurance payables

Reinsurance payables include the reinsurance premium settlement due under the commutation of the excess of loss reinsurance agreement on 31st December 2022. The amounts are due settlement post the valuation date.

Note 12: Trade and Other payables

Trade payables include amounts due to suppliers, public entities, etc, and which are not insurance related. Trade payables solely comprise amounts which fall due within 12 months and are held at fair value, representing the value at which the balances could be exchanged between two knowledgeable and willing parties in an arm's length transaction.

The financial statements include a separate loss expense reserve $2,439k for incurred expenses not settled at the balance sheet date, which is excluded from the valuation for Other payables and included in the calculation of the Technical Provisions.

Note 13: Other liabilities

Other liabilities include amounts payable to related parties within the CVS Group. These liabilities are measured as past due at the valuation date and therefore represent the amount expected to be paid.

There were no changes to the recognition and valuation base assumptions used or to estimations of liabilities for the Reporting Period.

D.4 Alternative Valuation Methods

There are no alternative valuation methods applied to the valuation of Company’s assets.

D.5 Other Material Information

The information presented in Section D represents the valuation for Solvency Purposes of the Company during the period.

E. CAPITAL MANAGEMENT

E.1 Own Funds

This section provides information on the Company's Own Funds and the Solvency Capital Requirement ("**SCR"**), including changes over the reporting period together with explanation of the material differences between net assets under IFRS and the Solvency II excess of assets over liabilities.

The Solvency II capital assessment involves valuation of Own Funds in line with the Solvency II regulations. There were no changes to the Company's capital management policy in the period. The Solvency II surplus is the excess of Eligible Own Funds over the SCR

The capital position for AICL is presented in the table below:

Eligible Own Funds to cover SCR/MCR	2022 $000	2021 $000
Eligible Own Funds	145,067	176,103
SCR	36,278	72,406
Solvency II Surplus	108,789	103,697
Ratio of eligible Own Funds to SCR	400%	243%
MCR	12,984	19,980
Ratio of eligible Own Funds to MCR	1117%	881%

Composition and quality of own funds

Under Solvency II regulation, capital is referred to as Own Funds and the regulation distinguishes between Basic Own Funds (BOF) and Ancillary Own Funds (AOF). There are tiers of Own Funds and restrictions applied to the extent to which the various components of Own Funds can be used to meet the capital requirements.

The analysis of the Solvency Position is shown in the table below

Equity in Financial Statements	Tier 1 2022Un-restricted	Total 2022	Total 2021
Ordinary Share Capital	222,502	222,502	222,502
Share Premium paid	32,498	32,498	32,498
Reconciliation Reserve (pre-restrictions)	(109,933)	(110,585)	(78,897)
Excess of Assets & Liabilities	145,067	145,067	176,103
Deferred Tax Asset	-	-	-
Ring Fenced Adjustment	-	-	-
Eligible Own Funds available to meet SCR	**145,067**	**145,067**	**176,103**
Ratio of Eligible Own Funds to meet SCR	400%	400%	243%

The Company's ordinary share capital and the related share premium amount are classified as Tier 1 capital since the Company's Articles of Association do not prohibit the cancellation of dividends after they have been declared.

The Company has no restricted Tier 1 capital. There is just once class of ordinary share issued by the Company. All the issued shares and attaching share premium are fully paid up. There are no other classes of shares issued, nor any subordinated loans issued by the Company.

Approach to Capital Management

Capital management focuses on ensuring that there is sufficient capital retained to meet the regulatory requirements (MCR and SCR). The finance function provides the Board and its Audit & Risk Committee with information on the Company's capital position and monitors the surplus in line with internal, regulatory, and rating agency capital requirements. The finance, risk management and actuarial functions collaborate to provide the Board with internal and regulatory stress testing.

The Company Capital Plan aims to:

- document the regulatory and minimum capital levels under baseline and stress scenarios; and
- describe the capital implications and actions required if a stress scenario occurs.

The Capital Plan is an analysis of the Company's capital sources and uses a three-year time frame that takes into consideration:

- macroeconomic and financial market scenarios
- business and strategic plan
- applicable regulations; and
- capital resources calculated under future scenarios using the Solvency II standard formula.

There were no material changes to the Company's capital management process to ensure that it maintains capital in accordance with its risk appetite. During the period, the Company continued to monitor its capital requirements and even with a reported financial loss in the period, there was sufficient Solvency II surplus to negate the need for any additional capital. Consequently, there were no additional capital contributions in the period and the Company also did not make any dividend payments.

Details of the movements in Eligible Own Funds during the period are shown in the table below:

Tier 1 Capital Issued $000	Eligible Own Funds after Ring Fenced Fund Restriction
Opening Position 1st January 2022	**176,103**
Losses (after tax)	(193)
Ordinary Share Capital Issued	-
Solvency II Valuation Adjustments	(30,844)
Ring Fenced Fund Restriction -adjustment	-
Closing Position 31st December 2022	145,067

The total eligible amount of own funds to cover the Solvency Capital Requirement ("**SCR**") is $145,067k (2021: $176,103k) and the total amount of unrestricted Tier 1 own funds to cover the Minimum Capital Requirement ("**MCR**") is $145,067k (2021: $176,103k). The closing position is stated after reported financial statement losses of $193k (2021 Loss: $24,158k) and Solvency II valuation adjustments for the period, a net decrease of $33,948k (2021 decrease: $3,104k), resulting in a net reduction due to SII valuation changes of ($30,844k).

In addition, there was no requirement for a ring-fencing adjustment to Own Funds in respect of the Company's Singapore branch (2021: Nil) because the SCR calculated for the Singapore Branch is higher than the base capital requirement under local rules.

Further details on the ring-fenced fund analysis for the Singapore branch are included in the next section.

Ring Fencing of Singapore Branch

The Company operates a branch in Singapore which is subject to local regulations and solvency requirements set by the Monetary Authority in Singapore (“MAS”). The Company has interpreted the Solvency II valuation rules to mean that the funds held to meet the minimum MAS capital requirements for the branch must be ring fenced. The Company methodology for calculating the ring-fenced capital requirement compares the calculation of the Singapore branch SCR with the MAS minimum risk-based capital requirement (2021: MAS minimum risk-based capital requirement used).

The ring-fencing is treated as follows in the Solvency II calculations:

- an SCR is calculated separately for the branch and the rest of the business. The total SCR is the sum of these two SCRs (this disallows diversification between the two sets of business);
- as the branch SCR is higher than the minimum MAS capital requirements, there is no adjustment for ring fenced funds to the Own Funds available to meet the SCR (2021: Nil); and
- the value of assets and liabilities in the branch is fully included in the overall own funds of the Company.

The year end 2022 calculation is shown below:

	2022 $000	2021 $000
Singapore Local MAS Minimum Capital Requirement	6,901	6,466
Assets subject to ring-fencing restriction	6,901	6,466
Singapore Branch SCR calculation	9,349	18,881
Ring Fencing Deduction to Own Funds	-	-

The following table reconciles to the bridge between IFRS and Solvency II as shown in table D1, in section D of this document. The main driver for the change in the reconciliation reserve, is the change in the valuation of technical provisions. There are no material changes to the inputs or assumptions used for the valuation of the technical provisions and the change in value between 2022 and 2021 is driven by volume changes in the business.

Reconciliation of IFRS equity to excess of assets & liabilities	2022 $000	2021 $000
Net equity per IFRS	**179,015**	**179,207**
Valuation Differences:		
Assets increase/(decrease):		
Deferred Tax Asset	-	-
Deferred Acquisition Costs	(5,100)	(13,359)
Intangible Assets	-	(224)
Reinsurance recoverable	(1,578)	667
Insurance receivables	(5,940)	(47,581)
Reinsurance receivables	(60)	(2,611)
Total asset valuation differences	**(12,678)**	**(63,107)**
Liabilities (increase)/decrease		
Technical Provisions	(43,577)	24,794
Insurance balances payable	19,868	34,372
Reinsurance payables	-	-
Trade and other payables	2,439	837
Total Liabilities Valuation Difference	**(21,270)**	**60,003**
Excess of assets over liabilities	**145,067**	**176,103**

The following table includes a summary of the reconciliation reserve. The excess of assets over liabilities includes impacts for the best estimate calculation of the technical provisions. Section D discusses uncertainties associated with the calculation of the technical provisions and therefore there is some potential volatility in the reconciliation reserve shown in the table below

Reconciliation Reserve	2022 $000	2021 $000
Excess of assets over liabilities	145,067	176,103
Deduct other Basic Own Fund Items:		
Ordinary Share Capital	(222,502)	(222,502)
Share Premium	(32,498)	(32,498)
Reconciliation reserve pre-availability restrictions	(109,933)	(78,897)
Adjustment for restricted Own Funds in respect of RFF	-	-
Reconciliation Reserve total (as shown in Own Funds QRT)	(109,933)	(78,897)

E.2 SCR and MCR

The amount of the Company's SCR and MCR at the end of the Reporting Period are $36,278k (2021: $72,406k) and $12,984k (2021: $19,980k) respectively.

SCR

The table below shows the components of the SCR (using the Standard Formula) as at 31st December 2022.

SCR Calculation	**2022** **$000**	**2021** **$000**
Market Risk	24,192	23,425
Default Risk	6,114	13,669
Health Risk	6,088	47,078
Diversification	(7,655)	(21,045)
Basic Solvency Capital Requirement	**28,739**	**63,127**
Operational Risk	7,539	9,279
SCR	**36,278**	**72,406**
MCR	12,984	19,980

The Total SCR $36,278k (2021: $72,406) has decreased by a net $36,128k. The main driver for the lower SCR requirement is the lower business volumes, in line with the phased APA migration and cessation of writing business after 31st October 2022, where the health risk category (before diversification) has reduced by $40,990k.

MCR

The MCR was calculated using the following inputs:

- net of reinsurance BEL $106,511k
- net of reinsurance written premiums in the 12 months to 31 December 2022 of $169,754k; and
- SCR of $36,278k

These inputs were used in the calculation according to Articles 248-253 of the Solvency II Commission Delegated Regulation.

There has been no material change in the methodology used to calculate the MCR and SCR. The SCR is calculated using the Standard Formula with no undertaking specific parameters applied.

Material Changes in the SCR and MCR over the Reporting Period

There has been no material change in the methodology used to calculate the Company's MCR and SCR during the reporting period

SCR /MCR	**2022**	**2021**
	$000	**$000**
SCR	**36,278**	**72,406**
MCR	12,984	19,980

The SCR primarily decreased due to the lower health risk charge discussed above. The Board is satisfied with the capital management process in place to ensure the Company meets its regulatory capital requirements and that it continues to manage to its risk appetite.

E.3 Use of duration-based equity sub-module in the calculation of the SCR

The Company did not make use of the duration-based equity risk sub-module in the reporting during the Reporting Period.

The Company also did not apply any simplified calculations in the use of the Standard Formula to calculate the SCR.

E.4 Differences between the Standard Formula and Internal Model used

The Company uses the Standard Formula to calculate the SCR and therefore no difference exists

E.5 Non-Compliance

During the Reporting Period, there were no instances of non-compliance with the Solvency II capital requirements.

It is also noted that the PRA have not applied any capital add-ons to the SCR calculated by the Company.

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	208,726
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	193,365
Government Bonds	R0140	115,195
Corporate Bonds	R0150	78,170
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	15,361
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	(1,578)
Non-life and health similar to non-life	R0280	(1,578)
Non-life excluding health	R0290	-
Health similar to non-life	R0300	(1,578)
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	28,718
Reinsurance receivables	R0370	1,567
Receivables (trade, not insurance)	R0380	440
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	19,545
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	257,418

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	106,071
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	106,071
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	104,932
Risk margin	R0590	1,139
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
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	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
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	2,211
Reinsurance payables	R0830	100
Payables (trade, not insurance)	R0840	3,623
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	346
Total liabilities	**R0900**	112,351
Excess of assets over liabilities	**R1000**	145,067

S.05.01.01

Premiums, claims and expenses by line of business

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	72,455																72,455
Gross - Proportional reinsurance accepted	R0120	99,332																99,332
Gross - Non-proportional reinsurance accepted	R0130																	-
Reinsurers' share	R0140	2,033																2,033
Net	R0200	169,754																169,754
Premiums earned																		-
Gross - Direct Business	R0210	121,459																121,459
Gross - Proportional reinsurance accepted	R0220	129,833																129,833
Gross - Non-proportional reinsurance accepted	R0230																	-
Reinsurers' share	R0240	3,869																3,869
Net	R0300	247,423																247,423
Claims incurred																		-
Gross - Direct Business	R0310	60,387																60,387
Gross - Proportional reinsurance accepted	R0320	101,788																101,788
Gross - Non-proportional reinsurance accepted	R0330																	-
Reinsurers' share	R0340	1,357																1,357
Net	R0400	160,817																160,817
Changes in other technical provisions																		-
Gross - Direct Business	R0410	2,731																2,731
Gross - Proportional reinsurance accepted	R0420	5,316																5,316
Gross - Non- proportional reinsurance accepted	R0430																	-
Reinsurers' share	R0440	-																-
Net	R0500	8,047																8,047
Expenses incurred	R0550	101,035																101,035
Other expenses	R1200																	-
Total expenses	R1300																	101,035

S.05.02.01

Premiums, claims and expenses by country

		Home Country - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country - non-life obligations
		Home country	UNITED ARAB EMIRATES	SINGAPORE	VIET NAM	GREECE	BAHRAIN	Total Top 5 and home country
		C0080	C0080	C0080	C0080	C0080	C0080	C0140
Premiums written								
Gross - Direct Business	R0110	22,557	69	41,465	(2)	2,022	88	66,198
Gross - Proportional reinsurance accepted	R0120	11	93,203	(2)	4,986	-	1,419	99,618
reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	-	-	-
Net	R0200	22,568	93,272	41,464	4,984	2,022	1,507	165,817
Premiums earned								
Gross - Direct Business	R0210	28,199	55	57,905	(306)	1,921	355	88,128
Gross - Proportional reinsurance accepted	R0220	11	136,719	(2)	5,924	-	1,827	144,480
reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	(446)	(2,142)	(908)	(86)	(31)	(34)	(3,646)
Net	R0300	28,656	138,915	58,810	5,703	1,951	2,216	236,251
Claims incurred								
Gross - Direct Business	R0310	(16,873)	243	(34,429)	(10)	(1,213)	(690)	(52,971)
Gross - Proportional reinsurance accepted	R0320	-	(111,520)	-	-	-	(910)	(112,430)
reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	-	-	-
Net	R0400	(16,873)	(111,548)	(34,429)	(2,563)	(1,213)	(1,600)	(168,226)
Changes in other technical provisions								
Gross - Direct Business	R0410	562	2	(421)	4	34	(0)	180
Gross - Proportional reinsurance accepted	R0420	-	(178)	-	63	-	0	(115)
reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	562	(175)	(421)	67	34	0	67
Expenses incurred	R0550	9,536	47,300	19,737	4,648	57	1,347	82,625
Other expenses	R1200							-
Total expenses	R1300							82,625

S.17.01.02

Non-Life Technical Provisions

		R0010																
		Direct business and accepted proportional reinsurance												Accepted non-				**Total Non-Life**
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010																	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a	R0050																	-
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	64,744																64,744
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(1,578)																(1,578)
Net Best Estimate of Premium Provisions	R0150	66,322																66,322
Claims provisions																		
Gross	R0160	40,188																40,188
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-																-
Net Best Estimate of Claims Provisions	R0250	40,188																40,188
Total Best estimate - gross	R0260	104,932																104,932
Total Best estimate - net	R0270	106,510																106,510
Risk margin	R0280	1,139																1,139
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290	-																-
Best estimate	R0300	-																-
Risk margin	R0310	-																-
Technical provisions - total																		
Technical provisions - total	R0320	106,071																106,071
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	(1,578)																(1,578)
Technical provisions minus recoverables from reinsurance/SPV and Finite Re -	R0340	107,649																107,649

S.19.01.21

Non-life insurance claims

S.19.01.21.01

AX/All members	Accident year / U	Z0020	AM_8

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160											
N-8	R0170	48,128.00	11,567.00	459.00	60.00	-	-	-	-			
N-7	R0180	46,756.00	15,396.00	626.00	180.00	-	-	-	-			
N-6	R0190	132,558.00	33,945.00	1,247.00	263.00	-	-	-				
N-5	R0200	129,652.00	39,937.00	949.00	298.00	-	-					
N-4	R0210	165,557.00	39,682.00	1,118.00	229.00	-						
N-3	R0220	187,527.00	46,498.00	1,241.00	194.00							
N-2	R0230	176,197.00	37,552.00	889.00								
N-1	R0240	189,388.00	34,007.00									
N	R0250	149,869.00										

S.19.01.21.02

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100		
N-9	R0160		
N-8	R0170		60,214
N-7	R0180	-	62,958
N-6	R0190	-	168,013
N-5	R0200	-	170,836
N-4	R0210	-	206,586
N-3	R0220	194	235,460
N-2	R0230	889	214,638
N-1	R0240	34,007	223,395
N	R0250	149,869	149,869
Total	R0260	184,959	1,491,969

S.19.01.21.03

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180	-	2,007	369	117	-	-	-	-			
N-6	R0190	60,883	8,515	396	21	-	-	-				
N-5	R0200	64,856	7,974	224	-	-	-					
N-4	R0210	72,964	991	145	-	-						
N-3	R0220	76,287	535	107	-							
N-2	R0230	71,591	396	37								
N-1	R0240	70,706	226									
N	R0250	40,946										

S.19.01.21.04

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Year end (discounted data)
		C0360
Prior	R0100	
N-9	R0160	
N-8	R0170	
N-7	R0180	
N-6	R0190	
N-5	R0200	
N-4	R0210	
N-3	R0220	
N-2	R0230	33
N-1	R0240	210
N	R0250	39,945
Total	R0260	40,188

S.23.01.01

Own funds

000s

		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	222,502	222,502			
Share premium account related to ordinary share capital	R0030	32,498	32,498			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	(109,933)	(109,933)			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180		-			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	145,067	145,067	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	145,067	145,067			
Total available own funds to meet the MCR	R0510	145,067	145,067			
Total eligible own funds to meet the SCR	R0540	145,067	145,067			
Total eligible own funds to meet the MCR	R0550	145,067	145,067			
SCR	R0580	36,278				
MCR	R0600	12,984				
Ratio of Eligible own funds to SCR	R0620	400%				
Ratio of Eligible own funds to MCR	R0640	1117%				

S.23.01.01.02

Reconciliation reserve

000s

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	145,067
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	255,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	(109,933)
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	-

S.25.01.21.01

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	24,192	
Counterparty default risk	R0020	6,114	
Life underwriting risk	R0030		
Health underwriting risk	R0040	6,088	
Non-life underwriting risk	R0050		
Diversification	R0060	(7,655)	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	28,739	

S.25.01.21.03

Basic Solvency Capital Requirement (USP)

		USP
		C0090
Life underwriting risk	R0030	
Health underwriting risk	R0040	
Non-life underwriting risk	R0050	

S.25.01.21.02

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	7,539
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	36,278
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	36,278
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	23,637
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	12,641
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolio	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	12,984

		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	106,511	169,754
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		

Overall MCR calculation

		C0070
Linear MCR	R0300	12,984
SCR	R0310	36,278
MCR cap	R0320	16,325
MCR floor	R0330	9,070
Combined MCR	R0340	12,984
Absolute floor of the MCR	R0350	3,732
Minimum Capital Requirement	R0400	12,984