

**SPINNAKER BIDCO LIMITED**

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**SOLVENCY AND FINANCIAL CONDITION REPORT**

**Reporting Period 2016**

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**Date of publication: 29<sup>th</sup> June 2017**

**aetna<sup>®</sup>**

50 Cannon Street

London

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## EXECUTIVE SUMMARY

Spinnaker Bidco Limited ("**Spinnaker**") is an EEA insurance holding company whose subsidiaries carry on insurance and related activities (Spinnaker and its subsidiaries hereinafter referred to as the "**Group**"). The principal and only insurance entity in the Group is Aetna Insurance Company Limited ("**AICL**"), which is an insurer licensed in the United Kingdom. The other significant entity within the Group is a regulated insurance mediation company, Aetna Global Benefits UK Limited ("**AGBUK**"), in the United Kingdom, whose principal activity in 2016 was to service the insurance business of AICL.

The new, harmonised European Union regulatory regime for insurance companies, known as Solvency II, came into force with effect from 1 January 2016. The Solvency II regime requires new reporting and public disclosure arrangements to be put in place by European insurers and their groups.

This report is the first Solvency and Financial Condition Report ("**SFCR**") that Spinnaker has been required to publish under the Solvency II regime. This report covers the following in relation to the Group during the reporting period 1 January 2016 to 31 December 2016 (the "**Reporting Period**"): its Business and Performance, its System of Governance, its Risk Profile, its Valuation for Solvency Purposes and its Capital Management. The Group reports its financial results in United States Dollar ("**USD**" or "**\$**") and the figures stated herein are accordingly USD.

### **Business of the Group during 2016**

The Group forms part of the Aetna International division ("**Aetna International**") of the Aetna Inc. Group of companies. The Group supports 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. The Group support for the Aetna International strategy is effective through the business accepted by AICL, which includes business written on a direct basis and also on a reinsurance basis from fronting partners in those territories where AICL is not permitted to write business directly.

## Capital Management

The Group currently uses the Solvency II Standard Formula to calculate its Solvency Capital Requirement. This is appropriate given that the only insurance company within the Group, AICL, has a mono-line product and the majority of contracts are renewable on an annual basis. The Group also reviews the capital requirements against capital models from rating agencies and the Spinnaker Board of Directors is satisfied that the Solvency II Standard Formula is, and remains, the most appropriate method for determining the Group solvency requirements.

The Group's Solvency Capital Requirement (under the Solvency II Standard Formula) at 31<sup>st</sup> December 2016 is \$70.9m. The Group has \$109.4m of eligible capital resources to meet its Solvency Capital Requirement, providing a surplus of \$38.5m and a solvency ratio of 154%. Both metrics are defined by regulations to mean the excess of the Group's eligible own funds over its Solvency Capital Requirement.

Group – Solvency Capital Summary at 31 <sup>st</sup> December 2016		\$m
Total eligible Own Funds		109.4
Standard Formula for Solvency Capital Requirement		70.9
Surplus		38.5
Solvency Ratio		154%

## Governance

Spinnaker's Board of Directors is responsible for the governance of Spinnaker. However, the governance processes of the Group principally exist within AICL as the sole Solvency II insurance company within the Group and the main operating company within the Group. These are detailed further below. The main source of income for AGBUK is the fees earned for administrating the AICL business. The AICL governance process includes oversight of AGBUK's activities as its service company. Notwithstanding, AGBUK's board of directors are responsible for and oversee its activities.

The AICL Board has responsibility for ensuring that AICL has an effective system of governance. It is responsible for overseeing the conduct of AICL's business and supervising the executive team which is responsible for its day to day management. The Group Chief Risk and Finance Officer ("CRFO") is a regulatory approved person in respect of AICL and is a director of the Spinnaker Board of Directors, as well as a director for all other entities within the Group.

The Group uses the risk management framework of AICL to manage its risks given that the primary activity of the Group is the insurance underwritten by AICL and therefore the Group's risk is driven

by this. As noted above, in addition to AICL, the other material entity within the Group is AGBUK, which services the insurance business underwritten by AICL and its risks are therefore inherently linked to AICL. The Spinnaker Board of Directors is satisfied that the risk management framework adopted by AICL is appropriate for managing the risks of the Group as a whole. The Group CRFO is a director in all Group companies (including Spinnaker and AICL) and he ensures that the AICL risk management framework appropriately considers risks at the AICL and Group level.

AICL's risk management system is fully integrated into the strategic planning and annual business plans approved by the AICL Board. The Group Own Risk & Solvency Assessment process provides the Spinnaker Board of Directors with updates on the Group's risk profile and assists it 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.

The Spinnaker Board of Directors is satisfied with the capital management process in place to ensure AICL and the Group meets its regulatory capital requirements and rating agency expectations and that it continues to do so as its business grows.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Spinnaker Board of Directors is responsible for the ensuring that this SFCR has been properly prepared in all material respects with the Prudential Regulation Authority rules (“**PRA Rules**”) and the Solvency II Regulations 2015 (SI 2015/575) (“**Solvency II Regulations**”).

The Spinnaker Board of Directors is satisfied that:

- (a) throughout the Reporting Period to which this SFCR relates, the Group 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 Group has continued to so comply, and will continue to so to comply in the foreseeable future.

**On behalf of the Spinnaker Board of Directors**

**Leslie Carter**

**Director**



**Report of the external independent auditor to the Directors of Spinnaker Bidco Limited ('the Group') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms**

Except as stated below, we have audited the following documents prepared by Spinnaker Bidco Limited as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of Spinnaker Bidco Limited as at 31 December 2016, (**'the Narrative Disclosures subject to audit'**); and
- Group templates S02.01.02, S23.01.22, S25.01.22, S32.01.22 (**'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 Group 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' sections of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S05.02.01;
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report (**'the Responsibility Statement'**);

To the extent the information subject to audit in the Relevant Elements of the Group 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.

**Respective responsibilities of directors and auditor**

As explained more fully in the Responsibility Statement, the Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

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



Our responsibility is to audit, and express an opinion on, the Relevant Elements of the Group Solvency and Financial Condition Report in accordance with applicable law and International Standards on Auditing (UK and Ireland) together with ISA (UK) 800 and ISA (UK) 805. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the Relevant Elements of the Group Solvency and Financial Condition Report**

A description of the scope of an audit is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the Relevant Elements of the Group Solvency and Financial Condition Report**

In our opinion, the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report of Spinnaker Bidco Limited as at 31<sup>st</sup> December 2016 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, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

#### **Emphasis of Matter - Basis of Accounting**

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group 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 Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### **Matters on which we are required to report by exception**

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Spinnaker Bidco 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.

### **The purpose of our audit work and to whom we owe our responsibilities**

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

*KPMG LLP*

**KPMG LLP**

**15 Canada Square**

**London, E14 5GL**

**29<sup>th</sup> June 2017**

- The maintenance and integrity of Aetna International’s website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Spinnaker Group’s Solvency and Financial Condition Report since it was initially presented on the Aetna International website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

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

**Group standard formula**

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

- The following elements of Group template S.22.01.22
  - Column C0030 – Impact of transitional measure on technical provisions
- The following elements of Group template S.23.01.22
  - Rows R0410 to R0440 – Own funds of other financial sectors
- The following elements of Group template S.25.01.22
  - Rows R0500 to R0530 – Capital requirement for other financial sectors (Non-insurance capital requirements)
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

## **A. BUSINESS PERFORMANCE**

### **A.1 Business**

#### **Company and its subsidiaries**

Spinnaker Bidco Limited (hereinafter referred to as “**Spinnaker**”) is a private company limited by shares which is incorporated in England with company number 06078307. Its registered address is 50 Cannon Street, London, EC4N 6JJ, United Kingdom (“**UK**”) and the nature of its business is an insurance holding company.

Spinnaker has the following wholly owned subsidiary companies (Spinnaker and the subsidiaries hereinafter referred to as the “**Group**”):

- **Aetna Holdco (UK) Limited**

This is a private company limited by shares which is incorporated in England with company number 06030487. Its registered address is 50 Cannon Street, London, EC4N 6JJ, UK and the nature of its business is an insurance holding company.

- **Aetna Insurance Company Limited (“AICL” or the “Company”)**

AICL is a private company limited by shares which is incorporated in England with company number 05956141. Its registered address is 50 Cannon Street, London, EC4N 6JJ, UK and its principal place of business is 25 Templar Avenue, IQ Farnborough, Farnborough, Hampshire, GU14 6FE, UK. It is a UK authorised insurance company providing international private medical insurance for individuals and groups. AICL also has a branch registered in Singapore.

- **Aetna Global Benefits (UK) Limited (“AGBUK”)**

AGBUK is a private company limited by shares which is incorporated in England with company number 03554885. Its registered address is 50 Cannon Street, London, EC4N 6JJ, UK and its principal place of business is 25 Templar Avenue, IQ Farnborough, Farnborough, Hampshire, GU14 6FE, UK. It is a UK authorised insurance administrator and service company. AGBUK has a branch registered in Singapore and in South Africa.

- **Interglobal Japan Corporation Limited**

This is a private company limited by shares which is incorporated in Japan with company number 1200-02-048261. Its registered address is Koike Koraibashi Bldg., 3rd Floor, 1-3-4 Koraibashi, Chuo-ku, Osaka-shi, Japan. It is a legacy service company whose sole purpose was to act as liaison to customers of Aetna Holdco (UK) Limited and collect information and provide research on Japanese insurance market to Aetna Holdco (UK) Limited. Its