AETNA INSURANCE COMPANY LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

Reporting Period 2021

Date of publication: 8 April 2022

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 sixth 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 2021 to 31 December 2021 (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 "**$**") 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**") of the CVS Health Corporation Group of companies ("**CVS Group**").

The Company supports 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 accepts 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 are short term in nature and renewable by invitation on an annual basis. There are 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 include a common architecture and structure for benefit tables, which facilitate the performance of claims analytics across the entire Aetna International book of business.

The cost of medical treatments can be assessed and compared across the multiple locations, with the Company approving annual premium increases to cover medical cost inflation for the Company's products and/or to correct the Company's claims exposure for experience rated groups. Premium adjustments are calculated and are effective from the date any changes are made to the number of employees or family members covered under the annual policies.

Business Performance

The earned revenue for the year was $303,129k (2020: $322,518k) and the underwriting result was $77,911k (2020: $114,962k). Modest new business growth offset some lapse activities with achieved renewal rate actions in line with target. Incurred medical costs $225,217k (2020: $207,556) were proportionately higher than previous year as claims utilisation bounced back from impact of lockdown restrictions in 2020. The combination of slower revenue growth and increased medical costs were the main driver for reduction to underwriting result. Total costs were $98,557k (2020: $103,590k). Total service company costs $56,463k (2020: $60,288k) reduced marginally in line with volume reduction, as discretionary costs in the service entities continue to be managed tightly. The Group continues to maintain a tight discipline over recurring costs.

The Solvency II technical provisions were $141,928k (2020: $136,253k) with the increase in 2021 due to an exclusion of $10,455k cash balances due from fronters. Previously these were deducted from the technical provisions as future cash flows, but the balance was due at the balance sheet date and is included in the insurance receivables. Although retention rates remained healthy, the continued impact of the Coronavirus pandemic limited opportunities for stronger growth in the period.

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 2021 is $72,406k (2020: $81,241k). The Company has $176,103k (2020: $203,790k) of eligible capital resources to meet its Solvency Capital Requirement, providing a surplus of $103,697k (2020: $122,548k) and a solvency ratio of 243% (2020: 251%).

The funds available to meet the solvency margin decreased in line with the reduction to the underwriting result. The increase to incurred medical costs, reflecting a bounce back from the easing of lockdown restrictions, was the main driver for the reduced underwriting result. The lower solvency capital requirement reflected the lower growth with some additional benefit from lower counter party exposures. The total service company costs have reduced year-on -year, with some savings on volume related and discretionary costs. All Aetna offices remained open, but with reduced occupancy in accordance with government guidelines.

T1. Aetna Insurance Company Limited Solvency Capital Summary at 31st December 2019	2021 $000	2020 $000
Total eligible Own Funds	176,103	203,790
Standard Formula for Solvency Capital Requirement	72,406	81,241
Surplus	103,697	122,548
Solvency Ratio	243%	251%

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.

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 was convened and operated 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 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.

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

6th April 2022

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 2021:**

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at **31 December 2021, ('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 2021** 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.

- Confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers 12 months from the date of approval of the Solvency and Financial Condition Report

- Assessing the accuracy of management's forecast by testing the inputs and the clerical accuracy

- Assessing whether the solvency projections included in the going concern assessment appropriately reflect the expected impact of the Asset Purchase Agreements entered into by Aetna International Group with Allianz as described in page 25

- With the assistance of our actuarial team, performing a sensitivity analysis of the solvency projections with more conservative assumptions

- Obtaining a copy of the letter of support from the Company's parent entity which covers 12 months from the date of approval of the Solvency Financial Condition Report and assessing that the Company's parent entity had the ability to provide the support if necessary

- 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. We also reviewed management's assessment as approved by the board and its committees, and made enquiries as to the impact of COVID-19 on the business; and

- 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 of 12 months 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 a general understanding of the legal and regulatory frameworks that are applicable to the company and determined that 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 and the Solvency and Financial Condition Report included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained 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 UK regulatory bodies; 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.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related items in the financial statements and the Solvency II balance sheet.

- For both direct and other 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 significant correspondence with the FCA and PRA.

- We assessed the susceptibility of the Company's financial statements and the Solvency and 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 used to calculate the technical provisions as well as testing manual journals over revenue accounts. These procedures were designed to provide reasonable assurance that the financial statements and the Solvency and Financial Condition Report were free from fraud or error.

- 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.

Ernst & Young LLP

Ernst & Young LLP
Bristol
8 April 2022

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 is 50 Cannon Street, London, EC4N 6JJ, United Kingdom ("**UK**") and its 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 2021 (extract)

Business and significant events in the Reporting Period

The Company 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. In addition to accepting business directly, the Company also accepts 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 $32,965k (2020: $35,673k), which only include external acquisition costs. The total service costs incurred by the service company of $56,463k (2020: $60,288k) have been treated as administration costs and included in the total administration costs of $65,592k (2020: $67,917k). The total recurring costs for the service company have reduced between 2020 and 2021 with continued tight management over discretionary costs and some volume related savings

There was no additional capital contribution in 2021 as the Company is sufficiently capitalised to support its business plan.

A.2 Underwriting Performance

The Company has a single product, international private medical insurance, and the underwriting result is shown under this single line of business, Medical Expense Insurance. It is positioned to support the Aetna International strategy to provide international private medical insurance to employer sponsored groups and individuals in multiple locations. The business accepted by the Company is viewed as one single growth market within the CVS Group.

The following table summarises the movement in the underwriting result between the year ended 31 December 2021 and the year ended 31 December 2020 for comparison:

TA2.1	2021	2020
Net Written Premiums	290,824	296,309
Earned Revenue	303,129	322,518
Net Incurred Medical Costs	225,217	207,556
Underwriting Result	**77,911**	**114,962**
MBR Ratio	74.3%	64.4%

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 reflects the continued impact of Covid-19, where although retention rates continue strong, there were fewer opportunities for additional new business. The change in the incurred claims loss ratio 74.3% (2020: 64.4%) was expected as restrictions on elective treatments eased in line with lockdown restrictions easing. Direct claims costs associated with the treatment of Covid-19 were not material but claims utilisation did increase in comparison with the prior period. The change in net incurred medical costs was the main driver for the decrease in the underwriting result.

The Board is satisfied that underwriting disciplines and the operating model for robust management of claims operations will ensure appropriate underwriting margins are achieved going forward.

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 written premium for the largest territories is largely in line with the prior period, with mx changes for the territories with lower exposures.

TA2.2 Gross Written Premiums - $000	United Arab Emirates	Singapore	United Kingdom	Vietnam	Bahrain	Malaysia	Netherlands
2021	159,188	51,886	32,178	5,731	3,940	2,387	-
2020	159,537	58,586	37,629	6,603	-	-	3,608

The mix of business in geographies did not materially change between 2020 and 2021, but a slight reduction across some territories in line with total trading position. No written premium for Netherlands in 2021 post Brexit and written premium ceded through fronter in Bahrain was the next highest geography.

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. The Board has approved a target 50:50 mix for invested assets in government bonds and commercial paper or corporate bonds with minimum credit rating of A-, and the weighting of the invested assets in commercial paper and corporate bonds is 41% (2020: 35%).

The assets held by the Company in its investment portfolio are listed below at market value (excluding accrued income) as at 31 December 2021 (with those held as at 31 December 2020 for comparison) are listed in the table below:

TA3.1	2021 $000	2020 $000
US Government Bonds	64,233	70,006
Singapore Government Bond	41,621	48,731
Commercial Paper and Corporate Bonds	93,179	91,620
Cash Deposits	29,491	51,119
Total	**228,524**	**261,476**

The value of assets under management is affected by asset and currency performance. Investment income comprises interest, realised gains and losses on investment and unrealised gains and losses. Movements are recognised in the Statement of comprehensive income in the period in which they arise. Interest is accounted for on a time proportion basis using the effective interest method.

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

TA3.2 Investment return – Bonds	2021 $000	2020 $000
Interest Income	2,196	3,999
Net gains/(losses) on investments	(4,762)	1,116
Investment return – Bonds	(2,566)	**5,116**

The investment return reflects the conservative strategy adopted by the Board and the low yield reflects the current interest rate environment. The net losses on realisation of investments primarily relates to unrealised capital losses on the financial investments, arising from market value reductions in line with lower yields in the bond market. The income on the invested assets decreased as maturing bonds were replaced with lower coupon bonds. The investment strategy was reviewed with the Board during 2021 and no changes were made to the target investment allocation, which allow 50% of the investments to be placed in corporate bonds or commercial paper, with the balance retained in government bonds.

The cash on deposit is placed on a very low yield basis, allowing for cash to be withdrawn on demand. Interest earned in the period was $186k (2020: $72k).

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 -$646k (2020 unrealised gain: $541k) 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	2021 $000	2020 $000
Invested Assets	(2,566)	5,116
Cash at bank	186	72
Other assets/liabilities - Foreign Currency Retranslations	(646)	1,355
Total Financial Income Return	**(3,026)**	**6,542**

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 $334k (2020: $245k).

Incurred acquisition costs $32,965k (2020: $35,673k) reduced in line with the reduction to written premium, where there was one large case $25m written in 2021 with no external commission costs. The effective acquisition costs relative to business written via external advisors is constant between 2020 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 related party costs for 2021 are broadly in line with the Company's share of business serviced by AGBUK, with the reduction reflecting decreases to the related party's total cost base between 2020 and 2021

The direct costs $9,128k (2020: $7,629k) increased mainly due to increased service costs incurred with the third-party administrator in the Middle East, as the migration of services to the third-party administrator was in force for a full 12 months in 2021 (partial migration in 2020).

The table below provides an overview of these costs for the Reporting Period (and a comparison with the year ended 31 December 2020):

TA4.1	2021 $m	2020 $m
Acquisition costs – external commissions	32,965	35,673
Incurred costs – related parties	56,463	60,288
Administration costs	9,128	7,629
Total Acquisition and Administration costs	**98,556**	**103,590**

No dividends were paid during the Reporting Period (2020: $nil).

A.5 Any other information

COVID-19

The Coronavirus Disease 2019 (“COVID-19”) pandemic is continuing to have an impact on the global economy, with businesses experiencing reduced customer traffic and, where governments mandated, temporary suspension of traffic and some public facilities. The adverse impact for the Company was mostly realised in continued slow growth for 2021, which was offset by strong customer retention. Incurred medical costs experienced a bounce back in 2021 as claims utilisation increased in line with easing of government lock down restrictions. There was no increase to credit risk as customers continue to settle their premiums within agreed credit terms.

The COVID-19 pandemic continues to evolve. The Company believes COVID-19’s impact on the Company’s business, operating results, cash flows and/or financial condition primarily will be driven by the geographies impacted and the severity and duration of the pandemic; the pandemic’s impact on the global economies and consumer behaviour and health care utilization patterns; and the timing, scope and impact of stimulus legislation as well as other governmental responses to the pandemic. Those primary drivers are beyond the Company’s knowledge and control. As a result, the impact COVID-19 will have on the Company's business, operating results, cash flows and/or financial condition is uncertain, but the impact could be adverse. COVID-19 also may result in legal and regulatory proceedings, investigations and claims against the Company.

There is no other material information to report in relation to the Company’s business and performance during the Reporting Period (save as otherwise covered elsewhere in this report).

Climate Change

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 2021. 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. However, we 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 23 March 2022, the Aetna International group entered into an Asset Purchase Agreement ("APA") with Allianz. The APA is in respect of Aetna International's 'Rest of World' business segment and spans a number of Aetna International legal entities including Aetna Insurance Company Limited.

Under the terms of the APA (which is conditional on certain legal processes being completed in relevant jurisdictions), Aetna International will introduce its existing customers to Allianz at renewal. Where those customers choose to take out a new policy with Allianz, Aetna International will support the migration of those customers to Allianz. Aetna International expects completion of this migration process to occur over a 12 - 16 month period starting from July 2022. Aetna International (and its insurer entities) will consider its position throughout the period and anticipates it will cease writing any new or renewal IPMI business after 31 October 2022.

If the deal becomes effective, Aetna Insurance Company Limited will receive consideration from Allianz, and will experience a significant reduction in future business volumes. Aetna Insurance Company Limited will continue operating with appropriate resources, solvency and liquidity, and it will continue to settle claims in the ordinary course of business.

Events in the Ukraine

The company has assessed its exposure to events in the 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 2021: 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**

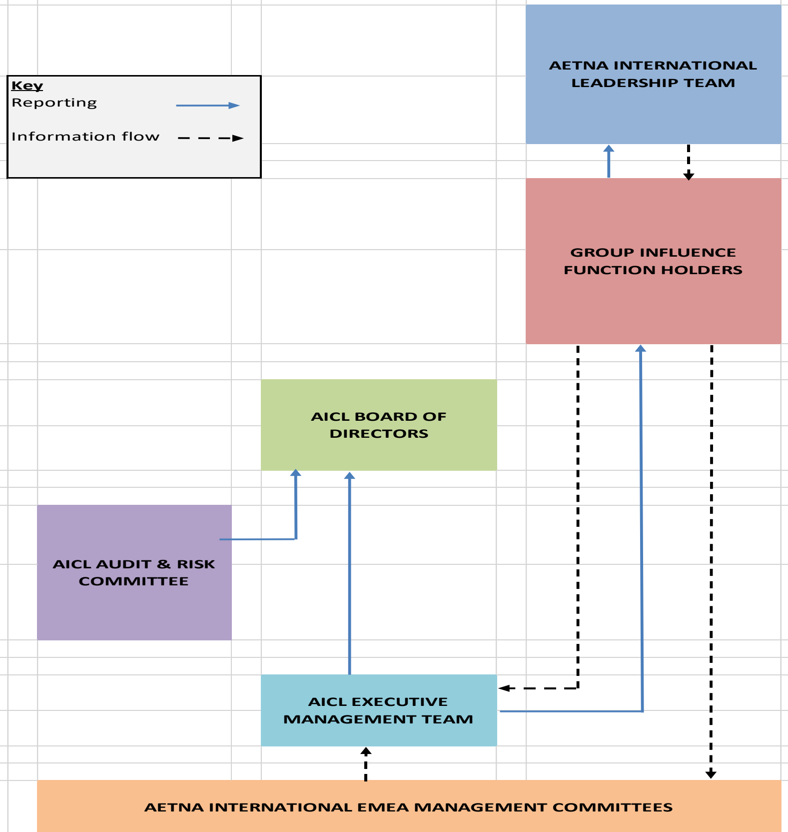
  The executive management team report to the Board and periodically the executive management invite the investment manager to attend the Board meetings for discussion on investment performance.

  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



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)
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 (2020: 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.

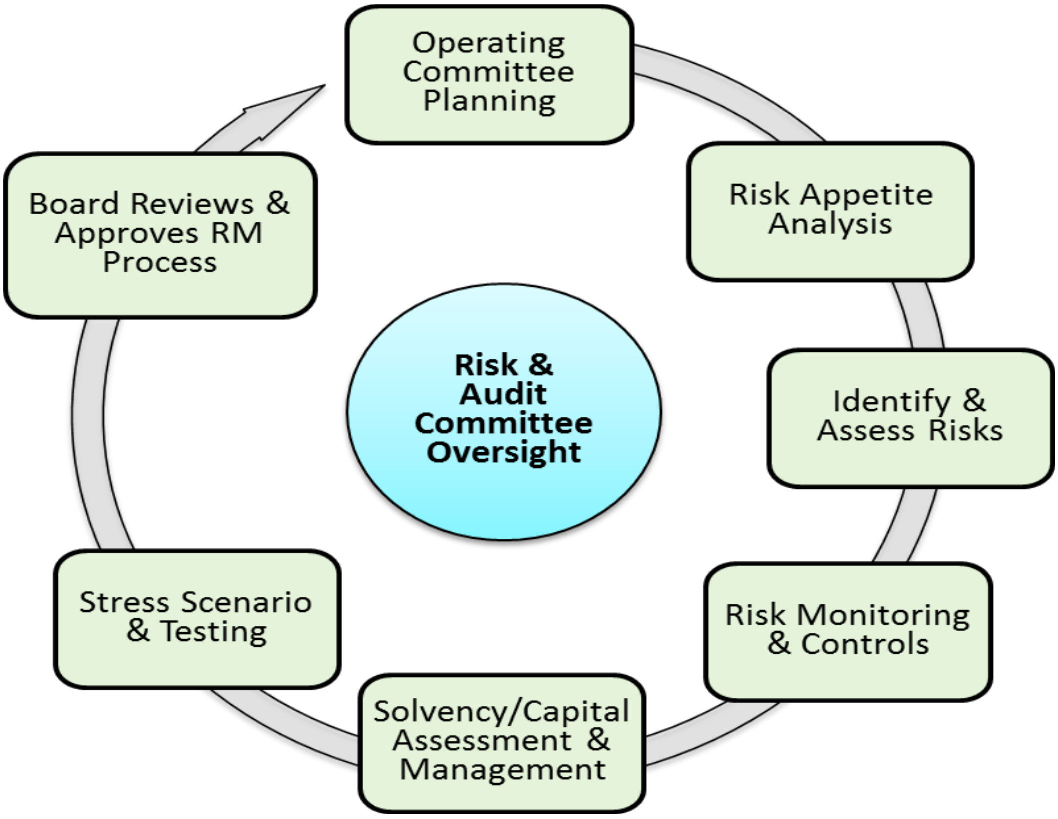
The Audit & Risk Committee has approved the implementation of a risk management system to identify, measure and track risk indicators for the Company. The risk management system includes a risk appetite statement, risk register, risk tolerances and a risk scorecard for monitoring performance against 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 2021 (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	2021 $000	2020 $000
Market Risk	23,425	29,135
Default Risk	13,669	13,014
Health Risk	47,078	52,774
Diversification	-21,045	-23,473
Basic Solvency Capital Requirement	**63,127**	**71,450**
Operational Risk	9,279	9,791
SCR	**72,406**	**81,241**
Surplus Solvency Margin	103,697	122,556
Total Eligible Own Funds after restriction for Singapore RFF	**176,103**	**203,797**
SCR Ratio	243%	251%
Minimum Solvency Requirement	19,980	20,310

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's revenue reduced in the period, as additional new business did not quite offset lapse activity, but targeted renewal increases were achieved to cover expected medical cost inflation. The business accepted was in line with the Company's underwriting protocols and underwriting risk appetite.

The key elements of the Company's insurance risk management framework are its underwriting risk, reserving risk, reinsurance risk and lapse risk.

Underwriting strategy

The Company's underwriting strategy is to maintain and grow a balanced portfolio of international private medical insurance contracts with an appropriate spread of risk which will yield a targeted return on risk capital for its shareholders.

Underwriting direction is established during the annual business planning process, when the upcoming underwriting year's target portfolio is structured. The strategy, and associated business targets, is communicated to business managers and appropriate underwriting authorities and controls implemented to ensure the desired risk profile is achieved. Adherence to underwriting guidelines and authorities is achieved through monitoring and review controls established by the executive management team.

Further review of the portfolio, its composition and yield, is formally undertaken by the Board. The short tail nature of international private medical insurance results in the ultimate expected losses

Premium Risk Premium risk arises from the failure of pricing strategies. It encompasses the risk of loss due to the potential timing, severity and frequency of covered claims differing from the assumptions at the time the risk was underwritten and priced.	**Reserve Risk** Reserve risk arises from failing to set sufficient cash reserves to cover the uncertainty surrounding the timing, frequency and severity of claims costs.
Catastrophe Risk Catastrophe risk arises from the failure to manage risk aggregation or accumulation that may result in an increased exposure to catastrophe losses.	**Lapse Risk** Lapse risk reflects the risk of loss, or of adverse change in the value of insurance liabilities, arising from the discontinuation of a policy.

associated with a given insurance contract, or portfolio of contracts, being known within a relatively short timeframe after conclusion of the associated contract indemnity term.

Reserving risk

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.

Reinsurance strategy

The Company has structured a reinsurance programme that is designed to reduce the impact of adverse loss experience on equity to a tolerable level. The Company is exposed to the risk of adverse loss experience on a frequency and severity basis and has structured its reinsurance programme to appropriately respond to such risks in both individual and catastrophic loss scenarios.

The existing reinsurance programme restricts the Company's losses per claim to a maximum of $250k. The Company only contracts with reinsurers that are considered to have an appropriate level of financial standing and credit worthiness, as determined by the Board.

In addition, the Company is exposed to the risk that claims provisions do not meet the ultimate cost of settling claims through claims management risk and reserving risk.

Lapse risk

The Company monitors the mix of individual risk business (where premium refunds may apply for early cancellation) and group risks (where there is likely to be some claims activity resulting in no premium refund). Most of the business underwritten is group risk business and therefore the potential losses arising from early cancellations are not material.

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.

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.

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 current investment parameters are an effective control against a market change in spread risk.

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. 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				64,233	64,233
Singapore Government Bonds	41,621				41,621
Corporate Bonds and Commercial Paper	32,766	450	1,011	58,952	93,179
Total	**74,387**	**450**	**1,011**	**123,185**	**199,033**

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%	1
Investment Bonds	AA	S&P	4%	2
Investment Bonds	A	S&P	17%	2
Investment Bonds	Prime 1	Moody	45%	2
Investment Bonds	Prime 2	Moody	4%	2
Investment Bonds	AA	Fitch	1%	2
Investment Bonds	A	Fitch	1%	2
Cash	Prime 1	Moody	24%	2
Cash	Prime 2	Moody	2%	
Reinsurance asset	A	AM Best	1%	2

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 $58,426k currently available to meet the technical provisions of $141,928k.

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 a large proportion of insurance funds in high credit quality short duration securities, $74,388k, which provides access to substantial immediate liquidity should this become necessary.

In the discussion on stress tests in section c.6 below, the Company has considered the potential impact for any short-term volatility on premium collection and stress tested the current accounting provision for aged debts by 100%. The stress tests discussed in section C.6 also include additional volatility in claims medical costs. 45% of the total liquid assets available to meet technical provisions are invested in AAA government bonds. Premium collection has remained strong during 2021 and will continue to be managed to ensure there are sufficient liquid assets to cover liquidity requirements throughout 2022.

The table below provides details of the liquidity and duration of Company's financial assets as at 31 December 2021:

TC4.1	$000	% Total
Cash on demand	28,935	11%
Cash on deposit (redeemable within 1 month)	29,491	11%
Investment Bonds < 3 months to maturity	74,387	29%
Investment Bonds > 3 months to maturity	124,646	48%
Total	**257,459**	**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:

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

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

Number	DESCRIPTION	STRESS TEST	Own Funds €M	SCR €M	Excess Own Funds €M	SCR Coverage %	Mitigating Actions	Likilihood
0	**Base Position - estimated at 31/12/2022**	**N/a**	**162.4**	**91.4**	**70.9**	**178%**	n/a	n/a
0	**Base Position - estimated at 31/12/2022**	**With no capital changes**	**162.4**	**91.4**	**70.9**	**178%**	n/a	n/a
1	Lag on collecting arrears not sufficiently controlled, resulting in an increase to the default risk charge in the SCR	* Increase normal level of aged debt by $15m (circa 15% of premiums due) * Increase subject to circa 75% risk charge * Net of diversification = $10.8m	162.4	102.2	60.2	159%	* Weekly reviews of premium arrears listings - where any increased premium arrears can be tracked and monitored for solvency impact * Risk rating applied for any customer credit term flexibility * Suspension of claims on policies with arrears * Additional capital support from Group	Possible
2	Incurred claims higher than plan assumptions	* MBR for 2022 set relative to run-rate for 2021 Oct Ytd * The average monthly claims costs in 2022 (20.1m) are higher than 2021 (19.0m) * The highest monthly cost in 2022 is comparable with 2021, where 2021 included months with a bounce back affect from easing of Covid restrictions compared to 2020 * The stress scenario has inflated the monthly average by the difference between the highest forecast month (21.5m) and the 2022 plan monthly average(20.1m) * This has increased the projected 2022 total for the stress scenario by $17.2m	145.2	91.4	53.7	159%	* Additional conservatism added to plan claims loss ratio of 74% (2021 forecast 74%) * Claims performance monitored monthly and any trend towards higher claims ratio for the year will be identified in advance of solvency impact * Excess of Loss reinsurance agreement caps invdividual claims losses at $250k	Possible
3	Due to on-going severe economic conditions, the customer base reduces more significantly than assumed and before action taken to reduce variable expenses	* Membership seepage & revenue reduction of 25% * Volume loss reduces UW margin by circa 1.6m	138.0	78.4	59.6	176%	* Business volumes monitored on a monthly basis, so that emerging trends can be identified in advance of solvency impact * Quarterly forecasting completed with the Group to support capital management + opportunity to call on additional capital support if needed outside quarterly reviews	Possible
4	One of the financial assets (commercial deposits/paper) defaults, resulting in loss of amount invested, where financial assets are well diversified	Credit default results in unrecoverable loss of financial asset (€5m)	157.4	91.4	65.9	172%	* High degree of conservatism being applied with financial assets in highly rated goct issued and corporate bonds * Diversification within investment portfolio reduces likelihood of material failure in portfolio	Unlikely
5	Combination of economic stress causing increased credit risk, lower volumes of renewals, investment losses and higher MBR to maintain volumes	Combination of stress (1) to (4) with no allowance for suspending claims for policies in arrears	115.8	89.1	26.7	130%	* There is a very remote likelihood of all conditions materialising in a short period * All of the mitigating controls listed under (1) to (4) are monitored monthly * Corrective action would be taken as soon as severe adverse trends emerge, **with** * Group capital support available to maintain internal target capital ratio (150%)	Remote
6	Combination of economic stress causing increased credit risk, lower volumes of renewals, investment losses and higher MBR to maintain volumes	As for stress scenario (5) but allowing for suspension of claims under policies with arrears Reduces losses by MBR attributable to the increase in aged debt	123.4	89.1	34.3	138%	As per scenario (5)	Remote
7	Provision for addition of large group business (circa $25m GWP)	Health risk margin in SCR increases by 22% (net of diversification) of the additional GWP	162.4	96.9	65.4	167%	UW guidelines provide for a solvency check on quotes for large group exposure over $25m before quote issued	Possible

The test results were performed using business planning data from the 2022 business plan originally prepared in quarter 4 2021. The assumptions in the 2022 business plan and the actual results shown in Sections D&E below have been defined as the base position for the stress testing.

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 were no results creating 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

Brexit

The migration of the Company's EEA customers to its sister company incorporated in Ireland, Aetna Health Insurance Company of Europe DAC, was completed in 2021. This migration represented approximately 6% of the Company's portfolio and ensures that Aetna's EEA customers are underwritten by a company authorised in the European Union post Brexit.

Covid-19

The Company continues to actively monitor the impact of the Covid-19 virus. The Group have implemented a policy for staff to work at home and these arrangements were tested before the policy was implemented.

The Company has reviewed its underwriting practices to make sure all risks continue to be accepted in accordance with its underwriting risk appetite. The Company has considered potential impact to claims costs but does not anticipate any material impact to the Solvency surplus at this time.

There may be some impact for the Company's customers and the Company will continue to regularly assess any potential impact to expected business growth and liquidity. However, it has noted that cash collection was strong in 2021 as customers with no material increase in the credit risk for premiums past due

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 2021, showing the movement between the IFRS valuation and the Solvency II valuation.

TD.1 Net Assets $000	Section Notes	IFRS 2021	Valuation & Reclassification Adjustments 2021	Solvency II 2021	Solvency II 2020
Deferred Acquisition Costs	D1 - 1	13,359	(13,359)	-	-
Intangible Asset	D1 - 2	224	(224)	-	-
Deferred Tax	D1 - 3	-	-	-	-
Financial Investments:	-	-	-	-	-
Government Bonds	D1 - 4	105,309	545	105,854	119,385
Corporate Bonds & Commercial Paper	D1 - 4	93,178	-	93,178	91,621
Deposits other than Cash Equivalents	D1 - 4	-	29,491	29,491	51,119
Reinsurance recoverable	D1 - 5	1,836	667	2,503	2,716
Insurance receivables	D1 - 6	108,871	(47,580)	61,291	42,057
Reinsurance receivables	D1 - 7	3,857	(2,611)	1,246	692
Trade receivables	D1 - 8	1,349	(545)	804	979
Cash and cash equivalents	D1 - 9	58,426	(29,491)	28,935	38,551
Total Assets		**386,409**	**(63,107)**	**323,302**	**347,120**
Technical Provisions	D2	166,722	(24,794)	141,928	136,253
Insurance Balances payable	D3 - 10	34,372	(34,372)	-	-
Reinsurance payables	D3 - 11	832	0	832	161
Trade and other payables	D3 - 12	3,244	(837)	2,407	5,778
Other Liabilities	D3 - 13	2,032	-	2,032	1,138
Total Liabilities		**207,202**	**(60,003)**	**147,199**	**143,330**
Net Assets/Own Funds	**E**	**179,207**	**(3,104)**	**176,103**	**203,790**

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 classes of assets stated in the economic balance sheet are valued individually. 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 $13,359k 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 2021 Solvency II balance sheet (2020: 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. This position will be reviewed when profits are reported in future periods.

Prior to the Coronavirus pandemic in 2020, the company had experienced strong growth. However due to the broader impact of Covid-19, opportunities for growth reduced during 2020 and 2021. Lockdown restrictions materially suppressed claims in 2020, but as lockdown restrictions eased in 2021, the volume of claims received increased significantly and the reported profit for 2020 was reversed in 2021 with higher incurred medical cost claims. The total business remains a single product and there is track record for positive underwriting margins within the portfolio.

The unrecognised deferred tax asset for 2021 is $19,760k (2020: 10,971k). The net assets under Solvency II valuation rules decreased by $3,104k (2020 increase: $425k). The Singapore branch business is also taxed in the UK and so available for offset against the unrecognised deferred tax asset for UK trading losses carried forward.

The underwriting margins are expected to exceed the costs attributable to running the business in future periods and generate future profits.

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 (53%) of total value of financial investments 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 (ie. as prices) or indirectly (ie. 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 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	105,309	545	105,854
Corporate Bonds & Commercial Paper	93,179		93,179
Cash Deposit	-	29,491	29,491
Total Financial Investments	**198,488**	**30,036**	**228,524**

Note 5: Reinsurance recoverable

For this approach, the actuarial reserving director has reviewed the events that create a recoverable cash flow and the amounts included in the valuation are consistent with the terms of the reinsurance agreement.

It is assumed that reinsurance recoveries on incurred but not reported ("**IBNR**") claims are only relevant for the events not in data ("**ENID**") allowance (which is an estimate of the value of future claims in excess of the $250k retention). The reinsurance recoverable on IBNR is estimated at 17.5% of the ENID amount. This was parameterized by an independent consultancy and validated by considering that the result is similar to that of a small number of large claims that could reasonably be expected to relate to the claims reserve.

Reinsurance recoveries on the premium reserve are estimated as a percentage of the total premium provision before expenses and other non-claims cash flows (such as premiums receivable), based on an historical analysis of claims.

A default allowance of 1.23% is applied based on average credit spreads based on Standard & Poor's default rates from their 2012 corporate bond study for issuers of a similar credit rating to the Company's reinsurer. This adjustment is immaterial but included for completeness.

Reinsurance recoveries were assumed to occur at the same time as the underlying claim payments to members. Due to the small lag between these payments and receipt of cash from the reinsurer (Aetna Life & Casualty (Bermuda) Limited, another CVS Group insurance company), this was considered immaterial (reinsurance recoverable $2,503k less reinsurance payable $832k on future premiums, net outflow ($1,671k), and assuming a discounting lag of 1 year at 1% yield would result in only a $17k change in value).

The amount disclosed in the financial statements for reinsurance recoverable in respect of unearned premiums ($2,611k) is not included in the solvency II valuation of reinsurance recoverable, which was partially offset by the solvency II revaluation increase to claims recoverable of $667k.

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 increased in 2021 due to the addition of a large contract in the period with total written premium of $25m, however there is a strong track record for this customer settling amounts due.

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 $14,637k (2020 Restated: $12,422k) and $10,455k (2020 Restated: 10,134k) 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.

$000	IFRS	Valuation & Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II 2021	Solvency II 2020
Insurance Receivables	108,871	(47,580)	-	61,291	42,057

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 is settled on a regular basis and the balance show is past due at the valuation date

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 2021 valuation does not include prepayments (2020: 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 2020
Trade Receivables	1,349	(545)	-	804	979

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	58,426	(29,491)	28,935
Total cash	**58,426**	**(29,491)**	**28,935**

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 2021, the technical provisions were:

Technical Provisions	**2021** **$000**	**2020** **$000**
Best Estimate Liabilities (BEL)	136,780	130,965
Risk Margin	5,148	5,288
Total	**141,928**	**136,253**

The main impact for the increase in value of the 2021 technical provisions was the removal of cash balances $10,455k due from other insurers (fronters) in the calculation of the technical provisions. This balance has been determined as past due at the balance sheet and included within insurance receivables. 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 cashflows 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 cashflows 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. 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 cashflows 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 cashflows.

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:

	2021 $000	2020 $000
IFRS Outstanding Claims Reserve (OCR)	**46,453**	46,783
IFRS Unearned Premium Reserve (UPR)	**120,270**	133,394
IFRS Technical reserve	**166,722**	180,177
Remove:		
Prudence in IFRS Outstanding Claims Reserve	**(3,241)**	(3,264)
Unearned Premium Reserve	**(120,270)**	(133,394)
Premiums not yet due and other receivables/payables	**(13,209)**	(27,204)
Add:		
Project Gross Premium Reserve claims (excluding Business Bound Not Incepted)	**90,846**	97,904
Additional allowance for Events Not In Data	**6,216**	5,836
Best estimate expense allowance for incepted contracts	**25,037**	24,451
Net Bound But Not Incepted (BBNI) cashflows	**(14,896)**	(13,521)
Discounting of claims and expense cashflows	**(425)**	(20)
Total IFRS to Solvency II Best Estimate adjustments	**(29,942)**	**(49,212)**
Best Estimate Liability	**136,780**	130,965
Add Risk Margin	**5,148**	5,288
Technical Provisions	141,928	136,253

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:

"Unaudited"	Best Estimate ($ m)	Change in Best estimate ($ m)
YE21 Best Estimate	136.8	-
i) 1% Increase in MBR on Unearned Exposure	138.0	1.2
ii) 1% Increase in MBR on Earned Exposure	139.6	1.6
iii) 10% Increase in Expense reserve	142.1	2.5
iv) Combined scenario – high sensitivity	144.5	7.7
v) Combined scenario - low sensitivity	133.2	(3.6)

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

- The actual MBR on Unearned exposure is 3% 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 $7.7m. Although the solvency of AICL is beyond the scope of this paper, 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 one of the scenarios described above occurs within 12 months, being a 3% decrease in MBR on Unearned Exposure.

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 are 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.

There are no insurance balances liabilities presented as past due at the valuation date (2020: Nil).

$m	IFRS	Valuation & Reclassification Adjustments	Solvency II Valuation Adjustments	2021 Solvency II	2020 Solvency II
Insurance Balances Payable	34,372	(34,372)	-	-	-

Note 11: Reinsurance payables

Reinsurance payables include the reinsurance premium payable for the excess of loss reinsurance cover on future premiums. The amounts will be due for settlement when the future premiums are collected.

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 $837k, 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.

The balance $2,032k (2020: $1,138k) continues to be managed with more frequent settlements during the year, with a modest increase in the balance at the end of 2021.

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	2021 $000	2020 $000
Eligible Own Funds	176,103	203,790
SCR	72,406	81,241
Solvency II Surplus	103,697	122,548
Ratio of eligible Own Funds to SCR	243%	251%
MCR	19,980	20,310
Ratio of eligible Own Funds to MCR	881%	1003%

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 Un-restricted	Total 2021	Total 2020
Ordinary Share Capital	222,502	222,502	222,502
Share Premium paid	32,498	32,498	32,498
Reconciliation Reserve (pre-restrictions)	(78,897)	(78,897)	(51,210)
Excess of Assets & Liabilities	176,103	176,102	203,790
Deferred Tax Asset	-	-	-
Ring Fenced Adjustment	-	-	-
Eligible Own Funds available to meet SCR	**176,103**	**176,103**	**203,790**
Ratio of Eligible Own Funds to meet SCR	243%	243%	251%

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 2021	**203,790**
Losses (after tax)	(24,158)
Ordinary Share Capital Issued	-
Solvency II Valuation Adjustments	(3,529)
Ring Fenced Fund Restriction -adjustment	-
Closing Position 31st December 2021	176,103

The total eligible amount of own funds to cover the Solvency Capital Requirement ("**SCR**") is $176,103k (2020: $203,790k) and the total amount of unrestricted Tier 1 own funds to cover the Minimum Capital Requirement ("**MCR**") is $176,103k (2020: $203,790k). The Solvency II valuation adjustments for the period were a net decrease of $3,104k (2020 increase: $425k), resulting in a net reduction due to SII valuation changes of ($3,529k).

In addition, there was no requirement for a ring-fencing adjustment to Own Funds in respect of the Company's Singapore branch (2020: 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 (2020: 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 (2020: 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 2021 calculation is shown below:

	2021 $000	2020 $000
Singapore Local MAS Minimum Capital Requirement	6,466	10,046
Assets subject to ring-fencing restriction	6,466	10,046
Singapore Branch SCR calculation	18,881	19,907
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 2020 and 2021 is driven by volume changes in the business.

Reconciliation of IFRS equity to excess of assets & liabilities	**2021** $000	**2020** $000
Net equity per IFRS	**179,207**	**203,790**
Valuation Differences:		
Assets increase/(decrease):		
Deferred Tax Asset	-	-
Deferred Acquisition Costs	(13,359)	(14,147)
Intangible Assets	(224)	(904)
Reinsurance recoverable	667	(2,224)
Insurance receivables	(47,581)	(62,149)
Reinsurance receivables	(2,611)	(48)
Total asset valuation differences	**(63,107)**	**(79,472)**
Liabilities (increase)/decrease		
Technical Provisions	24,794	43,924
Insurance balances payable	34,372	34,945
Reinsurance payables	-	-
Trade and other payables	837	1,028
Total Liabilities Valuation Difference	**60,003**	**79,897**
Excess of assets over liabilities	**176,103**	**203,790**

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	2021 $000	2020 $000
Excess of assets over liabilities	176,103	203,790
Deduct other Basic Own Fund Items:		
Ordinary Share Capital	(222,502)	(222,502)
Share Premium	(32,498)	(32,498)
Reconciliation reserve pre-availability restrictions	(78,897)	(51,210)
Adjustment for restricted Own Funds in respect of RFF	-	-
Reconciliation Reserve total (as shown in Own Funds QRT)	(78,897)	(50,043)

E.2 SCR and MCR

The amount of the Company's SCR and MCR at the end of the Reporting Period are $72,406k (2020: $81,241k) and $19,980k (2020: $20,310k) respectively.

SCR

The table below shows the components of the SCR (using the Standard Formula) as at 31st December 2021.

SCR Calculation	**2021** **$000**	**2020** **$000**
Market Risk	23,425	29,135
Default Risk	13,669	13,014
Health Risk	47,078	52,774
Diversification	(21,045)	(23,473)
Basic Solvency Capital Requirement	**63,127**	**71,450**
Operational Risk	9,279	9,791
SCR	**72,406**	**81,241**
MCR	19,980	20,310

The Total SCR $72,406k (2020: $81,241k) has decreased by a net $8,835k. The market risk decreased by $5.7m in the period, mainly due to the lower foreign exchange exposure on counter-party balances at the end of the year There was a decrease in the health risk margin in line with lower business volumes in the period There was minimal change to the default risks, as some large scheme debts at end 2020 were paid in full in 2021 with overall premium collection strong during 2021. This was the main change in SCR for the period.

MCR

The MCR was calculated using the following inputs:

- net of reinsurance BEL $134,278k
- net of reinsurance written premiums in the 12 months to 31 December 2021 of $290,824k; and
- SCR of $72,406k

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.

The minimum base floor MCR calculated is lower than the minimum applicable to AICL for its permissions and therefore the minimum USD $4,309k (EUR 3.7m) applies.

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	2021 $000	2020 $000
SCR	**72,406**	**81,241**
MCR	19,980	20,310

The SCR primarily decreased due to the lower default 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	228,523
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	199,032
Government Bonds	R0140	105,854
Corporate Bonds	R0150	93,178
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	29,491
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	2,503
Non-life and health similar to non-life	R0280	2,503
Non-life excluding health	R0290	-
Health similar to non-life	R0300	2,503
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	61,291
Reinsurance receivables	R0370	1,246
Receivables (trade, not insurance)	R0380	804
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	28,935
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	323,302

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	141,928
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	141,928
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	136,780
Risk margin	R0590	5,148
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	
Reinsurance payables	R0830	832
Payables (trade, not insurance)	R0840	2,407
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	2,032
Total liabilities	**R0900**	147,199
Excess of assets over liabilities	**R1000**	176,103

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	127,845																127,845
Gross - Proportional reinsurance accepted	R0120	166,594																166,594
Gross - Non-proportional reinsurance accepted	R0130																	-
Reinsurers' share	R0140	3,616																3,616
Net	R0200	290,824																290,824
Premiums earned																		-
Gross - Direct Business	R0210	138,519																138,519
Gross - Proportional reinsurance accepted	R0220	168,219																168,219
Gross - Non-proportional reinsurance accepted	R0230																	-
Reinsurers' share	R0240	3,609																3,609
Net	R0300	303,129																303,129
Claims incurred																		-
Gross - Direct Business	R0310	96,999																96,999
Gross - Proportional reinsurance accepted	R0320	131,151																131,151
Gross - Non-proportional reinsurance accepted	R0330																	-
Reinsurers' share	R0340	2,933																2,933
Net	R0400	225,217																225,217
Changes in other technical provisions																		-
Gross - Direct Business	R0410	828																828
Gross - Proportional reinsurance accepted	R0420	(117)																(117)
Gross - Non- proportional reinsurance accepted	R0430																	-
Reinsurers' share	R0440	-																-
Net	R0500	711																711
Expenses incurred	R0550	97,846																97,846
Other expenses	R1200																	-
Total expenses	R1300																	97,846

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	MALAYSIA	BAHRAIN	VIET NAM	Total Top 5 and home country
		C0080	C0080	C0080	C0080	C0080	C0080	C0140
Premiums written								
Gross - Direct Business	R0110	32,163	539	52,067	2,443	2,620	234	90,066
Gross - Proportional reinsurance accepted	R0120	15	160,150	(182)	(5)	1,320	5,497	166,795
reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	-	-	-
Net	R0200	32,178	160,689	51,886	2,438	3,940	5,731	256,862
Premiums earned								
Gross - Direct Business	R0210	35,302	160,075	55,510	2,387	3,582	6,183	263,039
Gross - Proportional reinsurance accepted	R0220	15	(47)	1	(0)	(0)	111	80
reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	(421)	(1,905)	(661)	(29)	(43)	(73)	(3,132)
Net	R0300	35,738	161,932	56,172	2,415	3,624	6,367	266,248
Claims incurred								
Gross - Direct Business	R0310	(18,447)	243	(42,447)	(1,638)	(832)	(41)	(63,162)
Gross - Proportional reinsurance accepted	R0320	-	(127,602)	403	(1)	(1,060)	(2,559)	(130,819)
reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	-	-	-
Net	R0400	(18,447)	(127,359)	(42,447)	(1,639)	(1,892)	(2,601)	(194,385)
Changes in other technical provisions								
Gross - Direct Business	R0410	605	2	(421)	(1)	(0)	4	189
Gross - Proportional reinsurance accepted	R0420	-	(178)	-	-	0	63	(115)
reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	605	(175)	(421)	(1)	0	67	75
Expenses incurred	R0550	4,647	46,249	12,431	1,378	2,122	3,021	69,848
Other expenses	R1200							-
Total expenses	R1300							69,848

S.17.01.02

Non-Life Technical Provisions

		R0010	
		Direct business and accepted p Medical expense insurance	**Total Non-Life**
		C0020	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 whole	R0050		-
Technical provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross	R0060	65,732	65,732
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(424)	(424)
Net Best Estimate of Premium Provisions	R0150	66,156	66,156
Claims provisions			
Gross	R0160	71,048	71,048
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	2,926	2,926
Net Best Estimate of Claims Provisions	R0250	68,122	68,122
Total Best estimate - gross	R0260	136,780	136,780
Total Best estimate - net	R0270	134,278	134,278
Risk margin	R0280	5,148	5,148
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	141,928	141,928
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	2,502	2,502
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	139,426	139,426

S.19.01.21

Non-life insurance claims

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											
N-7	R0180	48,128	11,567	459	60	-	-	-	-			
N-6	R0190	46,756	15,396	626	180	-	-	-				
N-5	R0200	132,558	33,945	1,247	263	-	-					
N-4	R0210	129,652	39,937	949	298	-						
N-3	R0220	165,557	39,682	1,118	229							
N-2	R0230	187,527	46,498	1,241								
N-1	R0240	176,197	37,552									
N	R0250	189,388										

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		
N-7	R0180	-	60,214
N-6	R0190	-	62,958
N-5	R0200	-	168,013
N-4	R0210	-	170,836
N-3	R0220	229	206,586
N-2	R0230	1,241	235,266
N-1	R0240	37,552	213,749
N	R0250	189,388	189,388
Total	R0260	228,410	1,307,010

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			71	13	-	-	-	-			
N-6	R0190		2,007	369	117	-	-	-				
N-5	R0200	60,883	8,515	396	21	-	-					
N-4	R0210	64,856	7,974	224	-	-						
N-3	R0220	72,964	991	145	-							
N-2	R0230	76,287	535	107								
N-1	R0240	71,591	396									
N	R0250	70,706										

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	105
N-1	R0240	392
N	R0250	70,551
Total	R0260	71,048

S.23.01.01

Own funds

		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	(78,897)	(78,897)			
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	176,103				
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	176,103	176,103			
Total available own funds to meet the MCR	R0510	176,103	176,103			
Total eligible own funds to meet the SCR	R0540	176,103	176,103			
Total eligible own funds to meet the MCR	R0550	176,103	176,103			
SCR	R0580	72,406				
MCR	R0600	19,980				
Ratio of Eligible own funds to SCR	R0620	243%				
Ratio of Eligible own funds to MCR	R0640	881%				

S.23.01.01.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	176,103
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	(78,897)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	4,717
Total Expected profits included in future premiums (EPIFP)	R0790	4,717

S.25.01.21.01

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	23,425	
Counterparty default risk	R0020	13,669	
Life underwriting risk	R0030		
Health underwriting risk	R0040	47,078	
Non-life underwriting risk	R0050		
Diversification	R0060	(21,045)	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	63,127	

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	9,279
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	72,406
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	72,406
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	53,525
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	18,881
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolio	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

S.25.01.21.04

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	

S.25.01.21.05

Calculation of loss absorbing capacity of deferred taxes

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

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	19,980

		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	134,278	290,824
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	19,980
SCR	R0310	72,406
MCR cap	R0320	32,583
MCR floor	R0330	18,102
Combined MCR	R0340	19,980
Absolute floor of the MCR	R0350	4,309
Minimum Capital Requirement	R0400	19,980