B&CE

B&CE Group

Solvency and Financial Condition Report

report for the year ending 31 March 2017

For people,
not profit

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

B&CE Group

Approval by the Board of Directors of B&CE Insurance Limited of the Solvency and Financial Condition Report

Financial period ended 31 March 2017

We can confirm that:

1. the Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations and
2. we are satisfied that:
    a. throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA rules and Solvency II Regulation as applicable at the level of the Group and
    b. it is reasonable to believe that, at the date of the publication of the SFCR, the Group has continued so to comply, and will continue to comply in the future.

Approval by the Board of B&CE Insurance Limited of the SFCR and reporting templates

Lydia Harratt

Company Secretary

September 2017

INDEPENDENT AUDITORS' REPORT AND OPINION

Report of the external independent auditors to the Directors of B&CE Holdings 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 Single Group-Wide Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 March 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 March 2017, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Group Templates subject to audit'**).

- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.02.01 in respect of B&CE Insurance Limited ('**the Company Templates subject to audit'**)

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide 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 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02 and S.05.02.01 and Company templates S.05.01.02, S.05.02.01 and S.19.01.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Responsibility Statement**');

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 March 2017 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 and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report* section of our report.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

Modification

Permission to publish a single Group-Wide SFCR

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

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report 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. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the Single Group-Wide Solvency and Financial Condition Report to identify material inconsistencies with the audited relevant elements of the Single Group-Wide Solvency and Financial Condition Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements.

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, the **sectoral information** has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report and our knowledge obtained in the audits of the Single Group-Wide Solvency and Financial Condition Report and of the Company'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.

PricewaterhouseCoopers LLP

Chartered Accountants

London

September 2017

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

SUMMARY

Introduction

The new, harmonised EU-wide regulatory regime for insurance companies, known as Solvency II, came into force from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by insurers.

This is the first Solvency and Financial Condition Report ('SFCR') for the B&CE Group, based on the financial position as at 31 March 2017. It has been prepared to enable readers to assess the financial position of the B&CE Group following the implementation of Solvency II.

The list of entities included within the B&CE Group for Solvency II purposes is shown on pages 10. The B&CE Group's financial year runs to 31 March each year and its results are reported in GBP (Pound Sterling).

This report covers the business and performance of the B&CE Group, its system of governance, risk profile, valuation for Solvency II purposes and capital management. The ultimate administrative body that has the responsibility for all of these matters is the B&CE Group's Board of Directors (the 'Board'), with the help of various governance functions that it has put in place to monitor and manage the business.

Further information about the business of the Group is provided in the Annual report and financial statements for the year ended 31 March 2017, a copy of which can be found at www.bandce.co.uk/about-us/how-we-work/financial-reports. Where appropriate we will refer readers to that document.

Business update

B&CE is a not-for-profit organisation which operates for the benefit of its members and their dependants. B&CE operates a number of financial products for the construction industry, including accident cover and life cover, and most notably pensions.

EasyBuild had until 2012 been B&CE's primary workplace pension scheme. It is a stakeholder defined contribution pension scheme and is the B&CE Group's most significant insurance product. The Group's principal activity in recent years has been the provision of pension products and in 2012 it launched a new flagship workplace pension product called The People's Pension. Membership in EasyBuild has been falling as their employers switch to The People's Pension and now stands at 472,453 (2016: 481,894).

The People's Pension is a multi-employer defined contribution occupational pension scheme, and is B&CE's first product which is available to both construction and non-construction employers. It was launched to help employers meet their automatic enrolment duties and has proved to be very popular with membership now standing at over 2.7 million (2016: 2.0 million) with funds under management of £2.0 billion (2016: £0.9 billion).

The Group performed largely in line with expectations during the year ended 31 March 2017, making a consolidated profit of £7.5m on a UK GAAP basis (2016: £6.6m loss). Profits were boosted following the introduction of the one-off charge for employers joining The People's Pension after November 2015. Significant investment gains were also realised as a result of the transition of the Group's own investments funds from Smith & Williamson Investment Management to Legal & General Investment Management.

In terms of future developments, the Group plans to continue operating its current range of products, with the exception of EasyBuild. A decision has been taken by the Board of B&CE Insurance Limited to transfer the remaining policies to The People's Pension during 2017/18. The Board is of the view that The People's Pension will be better value for customers because it has lower annual management charges on the funds and additional product features not available in EasyBuild.

The membership of The People's Pension is expected to continue to increase in the next 12 months as the final tranche of employers commence their automatic enrolment duties. The sizeable, and increasing, membership will ensure that funds under management will continue to grow significantly, which will increase the Group's income. Although per member costs are expected to reduce in the coming years, the Group's total costs are expected to increase in order to ensure that there are sufficient resources to service the increased number of customers using The People's Pension.

In 2016, the B&CE Group acquired Constructing Better Health ('CBH'), a national scheme for the management of occupational health in the construction industry. The Group is in the process of designing a new scheme which will better serve the construction industry and it is anticipated that this will be launched in 2018.

Further details on the Group's activities and performance can be found in the Annual report and financial statements for the year ended 31 March 2017.

Valuation for solvency purposes and capital management

The Group is required to hold sufficient assets to match its policyholders' liabilities at all times. It is a primary responsibility of the Board to ensure that the Group's capital is adequate to cover the required solvency for the nature and scale of the business, and the expected operational requirements of the business. The Board has considered its risk appetite and minimum requirements for capital coverage and have deemed a solvency ratio of at least 150% to be desirable. The Board believe this to be sufficient, particularly given the stable and relatively low risk nature of the business.

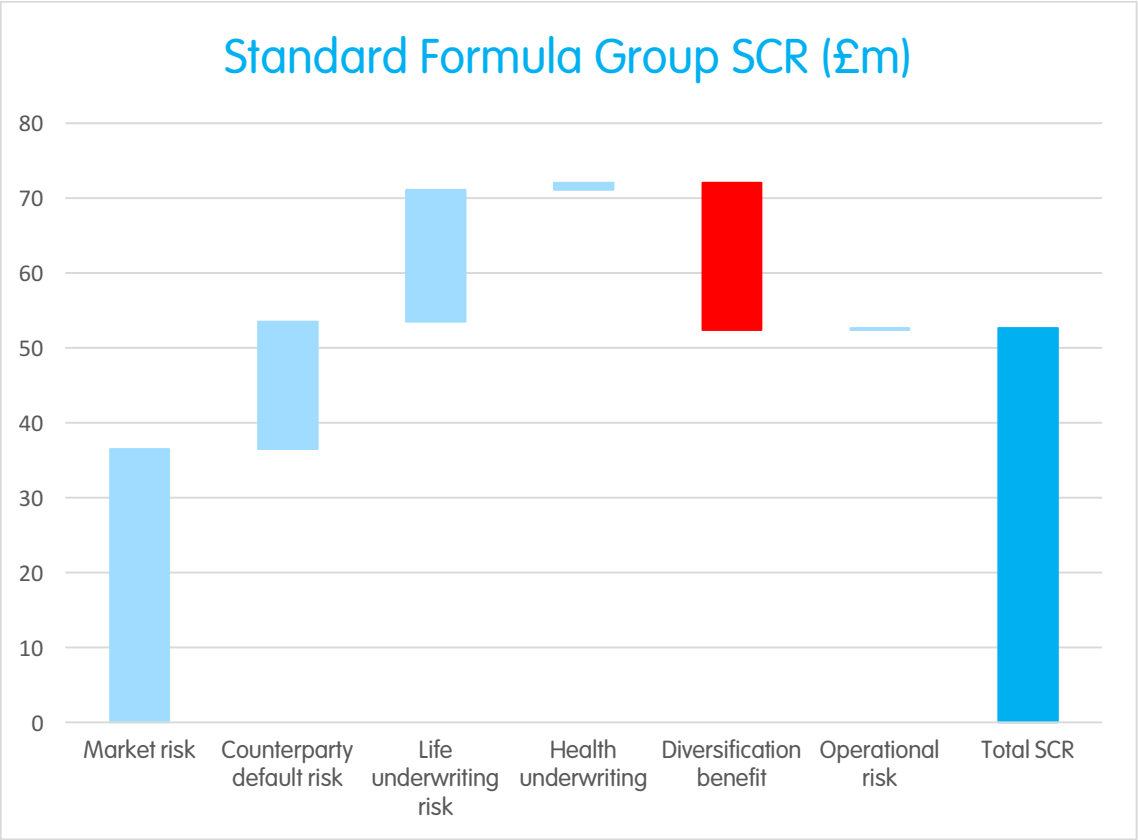
A number of mechanisms are in place to evaluate those levels and the outcome of the assessments indicate that the Group's capital is suitably adequate at this time and for the expected requirements in the short to medium term.

To calculate the Group solvency position, Method 1 (Default method): Accounting consolidation-based method has been used.

The solvency position of the Group at year end was as follows:

Solvency	2017 £000	2016 £000
Solvency II Own Funds (A)	134,798	123,079
Solvency capital requirements (B)	52,584	44,787
Solvency II free assets (A – B)	82,214	78,292
Financial Strength Ratio (A / B)	**256%**	**275%**

The chart below shows how the Group's Solvency Capital Requirement ("SCR") is made up, demonstrating the relative impact of the different risks to which the business is exposed.



A. BUSINESS AND PERFORMANCE

This section of the report sets out the details regarding the B&CE Group's business structure, key operations, market position and financial performance for 2016/17.

A.1 Business information

Company information

The following undertakings are covered by the scope of this report (collectively referred to throughout the document as the 'B&CE Group' or the 'Group').

Company name	Company registration number
B&CE Holdings Limited ('B&CEHL')	00377361
B&CE Insurance Limited ('B&CEIL')	03093365
B&CE Financial Services Limited ('B&CEFSL')	02207140
Constructing Better Health ('CBH')	05086859
Building and Civil Engineering Benefits Scheme Trustee Limited ('B&CEBSTL')	01201576

B&CEIL is the only insurance undertaking within the Group to which the Solvency II Directive applies. B&CEHL falls within the definition of an EEA Insurance Holding Group within Article 212(f) of the Solvency II Directive.

The B&CE Group entities are based in England and all have their registered offices at:

Manor Royal
Crawley
West Sussex
RH10 9QP

Regulation

The Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA is the lead supervisor for the purposes of Solvency II regulation.

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

www.bankofengland.co.uk/pra
www.fca.org.uk.

B&CEHL is an introducer appointed representative of B&CEIL and B&CEFSL.

B&CEIL is authorised by the PRA and regulated by the FCA and the PRA (reference number: 177791). It is a PRA Category 5 and FCA Category 4 firm subject to Solvency II supervision by the PRA.

B&CEFSL is authorised and regulated by the FCA (reference number: 122787). It is regulated as an administration and distribution services company.

B&CEBSTL is an appointed representative of B&CEIL.

All other B&CE undertakings are unregulated.

External auditors

The Group's external auditors are PricewaterhouseCoopers LLP, whose address is:

The Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG

Holders of qualifying holdings in the undertaking

The ultimate controlling party of the Group is B&CEHL. B&CEHL is a limited by guarantee company which is controlled by the following industrial parties which nominate the members of B&CEHL in accordance with the articles of association:

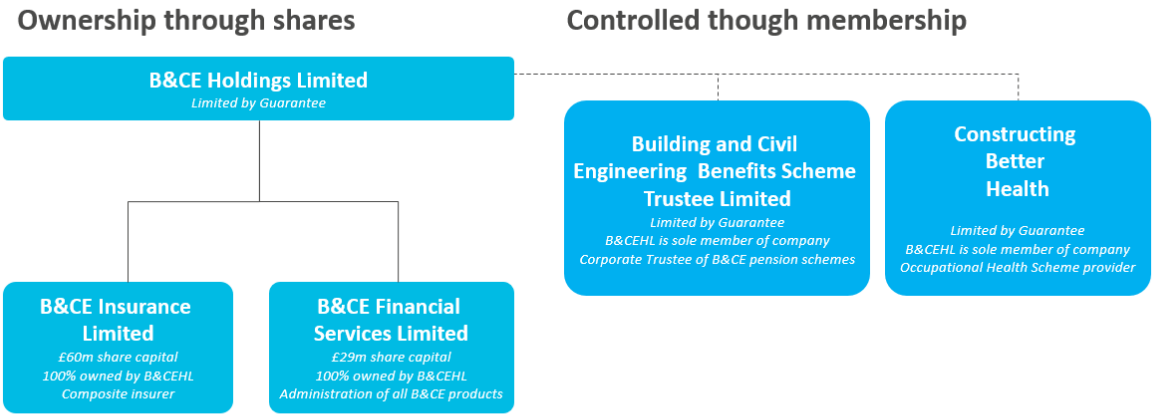
- Unite
- GMB
- Build UK
- Civil Engineering Contractors Association (CECA)
- Federation of Master Builders
- National Federation of Builders
- Scottish Building Federation

Legal structure of the Group

The immediate parent, ultimate parent company and the controlling party is B&CEHL, a company incorporated in the United Kingdom.

B&CEHL has two wholly owned subsidiaries; B&CEIL and B&CEFSL. B&CEHL is also the sole member of two limited by guarantee companies; B&CEBSTL and CBH. The Group structure changed during the year when CBH was purchased by B&CEHL in April 2016.

The below chart outlines the Group structure:



Group entity	Ownership	Principal activities	Country	Ownership
B&CEHL	This is the parent company for the B&CE Group.	The holding company for the Group.	United Kingdom	100%
B&CEIL	This is a wholly owned subsidiary of B&CEHL.	The company is a United Kingdom (UK) regulated entity that carries out general and long-term insurance business.	United Kingdom	100%
B&CEFSL	This is a wholly owned subsidiary of B&CEHL.	It acts as a distributor of, and an administrator for pensions, accident and death insurance and a range of financial welfare products.	United Kingdom	100%
B&CEBSTL	A company limited by guarantee, with B&CEHL being the sole member.	B&CEBSTL is the corporate trustee of the industry's occupational retirement, death and accident benefit schemes.	United Kingdom	100%
CBH	A company limited by guarantee, with B&CEHL being the sole member.	CBH operates a scheme dedicated to improving the standard of occupational health management in the construction industry.	United Kingdom	100%

Material products and geographical areas

The Group offers a number of financial services products. The following table describes each product and outlines which entity in the Group operates the product.

Product	Description	Entity
EasyBuild	Stakeholder defined contribution personal pension scheme provided to policyholders through policies issued by B&CEIL. It is governed by a trust deed and set of rules which sets out the member options. The investments are provided under a reinsurance contract with Managed Pension Funds Limited, which is part of the State Street Corporation group of companies.	Insurer: B&CEIL Administrator: B&CEFSL
The People's Pension	A multi-employer defined contribution occupational pension scheme which is available to both construction and non-construction employers and set up under trust. The scheme invests in units through a contract of linked long term insurance issued by Managed Pension Funds Limited.	Trustee: The People's Pension Trustee Limited* Founder: B&CEHL Administrator: B&CEFSL
Employee Accident Cover	Group accident product provided to policyholders through a general insurance contract.	Insurer: B&CEIL Administrator: B&CEFSL
Employee Life Cover	A multi-employer death benefit only occupational pension scheme set up under trust.	Trustee: B&CEBSTL Founder: B&CEHL Administrator: B&CEFSL
TUTMAN B&CE Contracted-out pension scheme	An authorised unit trust and non-UCITS scheme and a relevant pension scheme.	Manager: Thesis Unit Trust Management Limited* Sponsor: B&CEFSL Registrar and Administrator: B&CEFSL
Building and Civil Engineering Benefits Scheme	A multi-employer defined benefit occupational pension scheme.	Trustee: B&CEBSTL Founder: B&CEHL Administrator: B&CEFSL
RapidCash	Individual accident product provided to policyholders through a general insurance contract.	Insurer: B&CEIL Administrator: B&CEFSL
CBH	An occupational health scheme aimed at construction employers.	Scheme operated by: CBH

** Note: It should be noted that The People's Pension Trustee Limited is not part of the Solvency II Group and as such does not feature in the structure diagrams earlier in this section. Thesis Unit Trust Management Limited is also excluded given that it is a third party specialising in the management of unit trust schemes and not a B&CE company.*

All business is conducted in the United Kingdom.

Further details on the Group's business can be found in the Annual report and financial statements.

Material impact of any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking.

There are no events which have occurred over the reporting period which have had a material impact on the undertaking.

A.2 Underwriting performance

Insurance activities

The Group writes two material lines of insurance business through B&CEIL. It writes pensions business (EasyBuild), and accident business (RapidCash and Employee Accident Cover). Each of the products are detailed in section A.1. B&CEIL also write a small amount of term life assurance business but this is in run off and immaterial in size.

In the year to 31 March 2017 the Group produced an underwriting surplus of £4.8m for long-term business and £0.3m for general business. The technical (underwriting) accounts are given below which have been extracted from the Annual report and financial statements of B&CE Insurance Limited:

Technical account: long-term business for the year ended 31 March 2017

	2017 £000	2016 £000
Earned premiums, net of reinsurance		
Gross premiums written	**3**	4
Outward reinsurance premiums	**(3)**	(4)
	-	-
Investment income	**3,069**	1,743
Unrealised gains on investments	**782**	-
Other technical income	**8,006**	7,201
	11,857	8,944
Claims incurred, net of reinsurance		
Claims paid – gross amount	**-**	(45)
Claims paid – reinsurers' share	**-**	41
	-	(4)
Change in other technical provisions		
Long-term business provision, gross and net amount	**10**	369
Other technical provisions net of reinsurance		
Technical provisions for linked liabilities – gross amount	**177,397**	22,720
Technical provisions for linked liabilities – reinsurers' share	**(177,397)**	(22,720)
	-	-
	10	369
Net operating expenses	**(5,776)**	(5,375)
Investment expenses and charges	**(52)**	(130)
Unrealised loss on investments	**-**	(2,653)
Tax attributable to the long-term business	**(1,207)**	(221)
Balance on the long-term business technical account	**4,832**	930

The main driver for the £4.8m balance on the long-term business account for 2017 was strong investment performance during the year. This is reflected through the 'investment income' line, and also 'other technical income' which shows the annual management charges ('AMCs') levied against EasyBuild policyholders and was boosted by the funds under management ('FUM') increasing in size from £904m to £1,049m.

Technical account: general business for the year ended 31 March 2017

	2017 £000	2016 £000
Earned premiums, net of reinsurance		
Gross and net premiums written	**1,193**	1,291
Claims incurred, net of reinsurance		
Claims paid - gross and net amount	**(358)**	(307)
Change in the provision for claims - gross and net amount	**(122)**	17
	(480)	(290)
Net operating expenses	**(398)**	(597)
Balance on the general business technical account	**315**	404

The main driver for the reduction in the balance on the general business account for 2017 was a fall in both RapidCash and Employee Accident Cover premiums. RapidCash fell by 10% which was anticipated as it is no longer actively promoted. Employee Accident Cover premiums fell by 6% following the decision by some employers to stop operating the scheme for their employees.

Risk appetite

Our Group business model is focussed on workplace pension schemes, with new pension business focussed on The People's Pension which is a trust-based arrangement (as opposed to a contract arrangement). The vast majority of our insurance business is unit-linked pension policies, none of which include any options or guarantees. The Group is exposed to relatively low levels of insurance risk.

During the year there were no significant changes to any underwriting activities or the Group's risk exposure in this area. Risk mitigation is discussed in more detail in section C.

Future underwriting performance

A decision has been taken by the Board of B&CEIL to transfer the EasyBuild policies to The People's Pension during 2017/18. The Board is of the opinion that The People's Pension offers better value to members, mainly due to the lower AMCs paid by members of the scheme. This will significantly reduce the Group's insurance activities.

The remaining insurance products are currently in decline in terms of premium levels and policyholders. There are currently no plans to recommence promotion of the RapidCash product, albeit a review of the product is planned for late 2017. Meanwhile, the Group will seek to maintain the Employee Accident Cover at the current levels, and where possible increase coverage of the product within the construction industry.

There are currently no plans to introduce any new lines of insurance business.

A.3 Investment performance

Investment strategy

The Group's focus on workplace pension scheme management means that delivering investment performance for clients is a key performance criterion. However, the unit-linked nature of the majority of pension business means that the impact of investment performance on profit is second order. Positive investment performance of our pension assets is passed on to clients through an equivalent increase in their benefits. An increase in benefits results in a proportionate increase in AMCs, which contributes to improved financial performance.

Excess assets held by the Group ('Group investments'), above those required to match client unit-linked liabilities, are used as working capital and to provide coverage to the Group's SCR in line with its risk appetite.

The Board is responsible for the investment strategy for both the Group investments and the EasyBuild unit-linked investments. The Board has established an Investment Committee (details of this committee are given in section B). The Board has an appointed Investment Adviser who attends all Investment Committee meetings and provides formal advice for all material changes to investment strategies.

The Group's investment management policy requires that these assets should be invested in accordance with the 'prudent person' principle as defined in Article 132 of the Solvency II Directive (Directive 2009/138/EC of the European Parliament and of the Council) and discussed further in section C.

Each B&CE Group entity has its own investment objectives for the Group investments which it holds. The current objectives are listed in the table below:

Entity	Objective
B&CEHL	Preserve capital in real terms.
B&CEIL long-term fund	Invest prudently to protect capital, having due regard to the implications of capital adequacy.
B&CEIL general fund	Sufficiently liquid to meet all claim payments and planned dividend payments and preserve capital in real terms.
B&CEFSL	Ensure sufficient cash is held to cover costs of operating for at least 18 months. For the remainder, preserve capital in real terms.

All Group investments are currently managed by Legal & General Investment Management ('LGIM') using the following components:

Component	LGIM Funds	Objective and description
Low risk multi-asset	L&G Mixed Investment 0-35%	Aims to deliver long-term capital growth which exceeds the Bank of England's base rate.
Short dated corporate bonds	L&G Short Dated Sterling Corporate Bond Index Fund	Track the performance of Markit iBoxx Sterling Corporates 1-5 Total Return Index.
Cash	L&G Cash Trust	The Fund aims to provide the return and liquidity consistent with a short-term money market fund by investing in repurchase agreements, time deposits, and certificates of deposit.

LGIM's mandate for the Group investments commenced on 12 January 2017. Prior to this Smith & Williamson Investment Management Limited ('S&W') was the investment manager of the assets.

The B&CE entities not listed in the table on the previous page do not have material investment portfolios.

All unit-linked monies in the EasyBuild Scheme are invested through a reinsurance arrangement with Managed Pension Funds Limited ('MPF'), which is part of the State Street Group. EasyBuild policyholders can invest in a total of six funds which are created by blending a range of pooled vehicles managed by State Street Global Advisors Limited ('SSGA').

Policyholders are responsible for choosing between the range of EasyBuild funds – but over 99% of policyholders are invested in the default profile which uses a combination of the following funds:

Fund	Aim
B&CE Global investments (up to 85% shares) Fund	The fund aims to achieve long-term capital growth by investing in a range of asset classes in the UK and overseas. These can include, but are not limited to, equities, government bonds, corporate bonds and money market instruments. The Sub-Fund will typically hold up to 85% in equities, with a mix of UK and overseas equities.
B&CE Pre-Retirement Fund	The fund seeks to provide a balance between capital growth and capital preservation and is intended to be suitable for UK pension scheme members who have not yet decided what they want to do with their investments at retirement. The fund aims to achieve a return of approximately 1% (before deduction of fees) in excess of Consumer Price Index inflation, over the medium term.

Details of the other funds are available in the EasyBuild Statement of Investment Principles which is available upon request (www.bandce.co.uk/contact-us/).

Asset allocations

As at 31 March 2017 the Group investments were invested in the following asset classes:

B&CE Group Entity	Low risk multi-asset	Short dated corporate bonds	Cash	Total
B&CEHL	£14.2m (100%)	-	-	£14.2m
B&CEIL long-term fund	£48.0m (100%)	-	-	£48.0m
B&CEIL general fund	£10.7m (65%)	£2.4m (15%)	£3.3m (20%)	£16.4m
B&CEFSL	£3.0m (75%)	-	£1.0m (25%)	£4.0m

Prior year comparatives have not been provided due to the change of investment manager during the year which means that direct comparison is of limited use.

Investment performance

The investment return for the Group during the financial year is detailed below:

	Net investment income £000	Net realised and unrealised investment returns £000	Net investment returns 2017 £000	Net investment returns 2016 £000
LGIM Funds				
Mixed Investment 0-35%	82	1,237	1,319	0
Short Dated Sterling Corporate Bond Index Fund	0	(14)	(14)	0
Cash Trust	17	1	18	0
S&W Portfolio				
OEICs	79	(1,874)	(1,795)	(2,926)
Corporate Bonds	619	3,826	4,445	57
Gilts	13	964	977	73
Preference shares	262	176	438	733
Cash	117	0	117	81
Total	**1,189**	**4,316**	**5,505**	**(1,982)**

Despite the high levels of political uncertainty following the Brexit vote and the election of Donald Trump in the USA, investment performance has been very strong over the past 12 months. The equity markets in all major regions produced a positive return, with overseas equity regions being further bolstered by the fall in sterling. Fixed interest markets also posted strong gains.

Realised profit on financial investments totalled £5.1m (2016: £1.4m) which arose from the Group changing its investment manager from S&W to LGIM.

There were also positive investment returns for the EasyBuild unit-linked assets. Investment returns totalled £177m (2016: £23m loss). The strong performance was driven by the returns from the B&CE Global investments (up to 85% shares) Fund which returned 22.0% over the year and the B&CE Pre-Retirement Fund which returned 17.6%.

Securitisation

The Group holds no direct investments in securitisation and as at 31 March 2017 indirectly held £0.1m in collateralised securities.

A.4 Performance of other activities

A summary of the movement in membership and policyholders over the past 12 months is shown in the table below:

Product	2017	2016
EasyBuild	472,453	481,894
The People's Pension	2,749,566	1,972,337
Employee Accident Cover	134,601	138,207
Employee Life Cover	134,601	138,207
TUTMAN B&CE Contracted-out pension scheme	6,838	7,355
Building and Civil Engineering Benefits Scheme	1,104,169	1,113,477
RapidCash	1,839	2,002
CBH	43,323	*

** Figure not available (prior to B&CE taking control of the entity).*

In the year ended 31 March 2017, the Group made a profit totalling £7.5m (2016: £6.6m loss). The table below is an extract from the Consolidated statement of comprehensive income in the Annual report and financial statements for the year ended 31 March 2017 for the Group.

	2017 £000	2016 £000
Revenue	**30,694**	17,688
Net operating expenses	**(30,042)**	(24,015)
Gains / (losses) from financial instruments	**7,086**	(588)
Profit / (loss) before interest and taxation	**7,738**	(6,915)
Finance income	**143**	87
Profit / (loss) before taxation	**7,881**	(6,828)
Tax (charge) / credit on profit / (loss)	**(420)**	243
Profit / (loss) for the financial year	**7,461**	(6,585)

The main variances compared to the prior year were as follows:

- Scheme administration fees (included in revenue) totalled £21.4m for the year (2016: £9.2m). This increase was due to income from The People's Pension increasing significantly during the year given the rapid growth in the funds under management and the full year effect of the one-off set-up charge for employers.

- Net operating expenses increased to £30.0m (2016: £24.0m), driven by the need for additional staff to service the greatly increased customer base. Other costs have also increased as a result of this growth, such as communication costs and regulatory levies.

- Gains from financial investments totalled £7.1m (2016: £0.6m loss). Realised profit on financial investments totalled £5.1m (2016: £1.4m) which arose from a change to the investment manager from S&W to LGIM. Unrealised gains on financial investments totalled £0.9m for the year (2016: £5.5m losses).

Own funds for Solvency II purposes increased from £123.1m to £134.8m. The overall solvency position of the Group is set out in more detail in section E of this report.

Further details on the Group's performance can be found in the Annual report and financial statements for the year ended 31 March 2017 (www.bandce.co.uk/about-us/how-we-work/financial-reports).

Lease arrangements

At 31 March 2017, the Group had annual commitments in respect of non-cancellable operating leases. The operating lease expense for the financial year 2016/17 amounted to £580k. The Group is committed to payments in 2017/18 which are expected to be £336k.

The total of future minimum lease payments under non-cancellable operating leases on land and buildings are £207k.

A.5 Any other information

During the year the ultimate parent company's name was changed to B&CE Holdings Limited from Building and Civil Engineering Holidays Scheme Management Limited.

It should also be noted that on 1 April 2017, under an intra-group corporate restructure, People's Financial Services Limited (a subsidiary which is owned entirely by B&CEHL) became the intermediate holding company of B&CEIL and B&CEFSL.

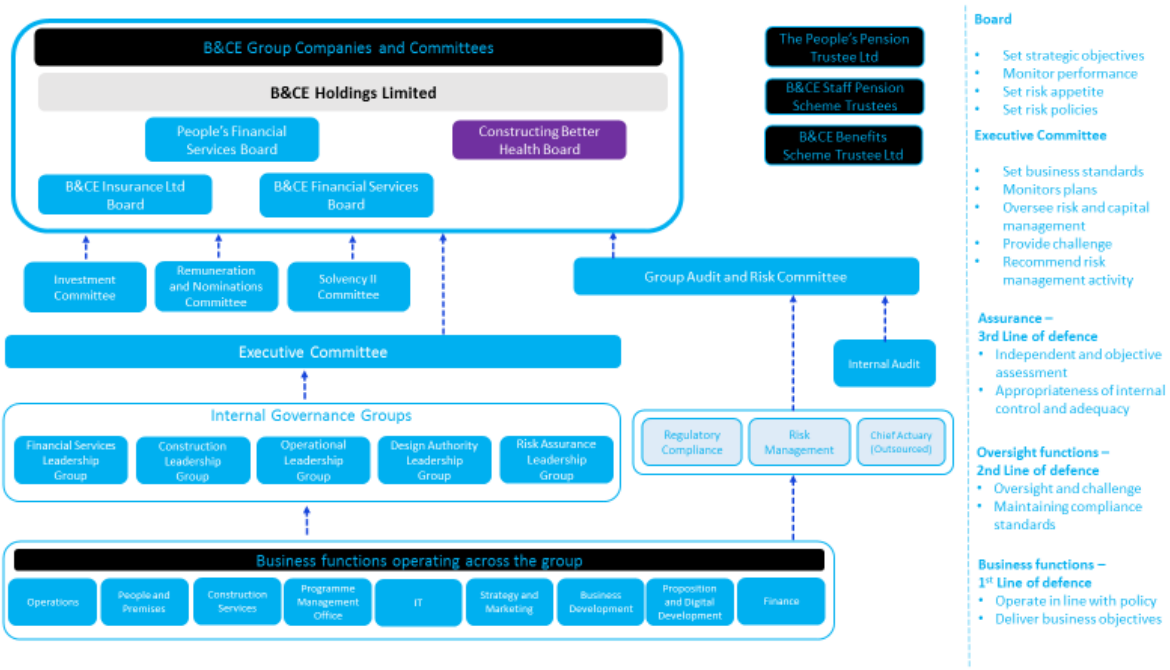
There are no other material matters in respect of the business or the performance of the Group.

B. SYSTEM OF GOVERNANCE

The System of Governance section of the report sets out details regarding the administration and management of the Group.

B.1 General information on the system of governance

The oversight of the Group's business and its operations are provided through its governance structure. The B&CEHL Board is made up entirely of Non-Executive Directors with half representing construction employer federations and half representing trade unions, together with an Independent Chairman. This governance structure is designed to ensure that decisions taken are in the best interests of B&CE's customers. The subsidiary company Boards are made up of Directors from the main Board, Executive Directors and Independent Non-Executive Directors with financial services expertise who are not affiliated to either construction federations or trade unions.



The Board oversees the conduct of the business and its Executives.

Board objectives

- To set and oversee an effective business strategy. The Board bring objectivity and judgement to the strategic planning process and ultimately approves, on an annual basis, the strategic plan.
- To ensure risk is properly monitored and managed. This includes establishment and oversight of risk appetite, risk management framework and internal controls framework
- To oversee the amount, types and distribution of capital and own funds to cover the risks of the Group.
- To establish and oversee a robust and compliant approach to corporate governance.

Committees of the Board

There are four Committees of the Group Board to assist it in discharging its obligations. Each of the committees operated throughout the year under defined terms of reference.

1. The Group Audit and Risk Committee ('GARC')

The GARC will assist the Board in meeting its oversight responsibilities by reviewing and assessing the effectiveness of the Group's systems of internal control, management of risks and regulatory compliance. This Committee currently consists of six Non-Executive Directors and is chaired by an Independent Non-Executive Director. The Chief Executive Officer ('CEO'), the Director of Risk and Regulatory Compliance and the Internal Audit Manager also attend the meetings of this Committee.

The GARC has the following key responsibilities:

- To review the Internal Audit reports in order to evaluate the effectiveness of the systems of internal control put in place by management.
- To review the Risk reports to evaluate the effectiveness of risk management systems put in place by management.
- To review the Group risk register on behalf of the Board.
- To review the Regulatory and Compliance report to assess compliance with regulatory requirements and general legal obligations that affect the business.
- To meet with the external auditors annually and to review their reports.
- To review the internal audit programme and ensure the Internal Audit and Risk departments are appropriately resourced, their purpose is understood, and that they have adequate standing in the Group.
- To ascertain whether the internal control recommendations made by the internal and external auditors have been implemented by management, and to initiate further actions as necessary.
- To make recommendations to the Board with respect to the appointment of the external auditors and to review the scope of their work, approach, performance and remuneration.
- To consider the independence of the external auditors including reviewing the range of services provided in the context of all relevant consulting services utilised by the Group.
- To review and challenge where necessary, the actions and judgements of management, in relation to the annual financial statements; and
- To submit an annual report to the Group Board outlining how the Committee has discharged its responsibilities.

2. The Investment Committee

The Investment Committee's duties and responsibilities are primarily to oversee the Group's investment holdings on behalf of the Board. The Committee's main aim is to oversee all of the Group's investments in line with agreed Board strategies and to consider and make recommendations about changes to the strategy. This Committee currently consists of six Non-Executive Directors and is chaired by the Chairman of the Group Board. The CEO and Director of Finance attend the meetings of this Committee.

The Investment Committee has the following responsibilities:

- To review and formulate investment strategies as recommended by the investment adviser.
- To review the performance of the investment managers against agreed benchmarks/objectives considering risks within the investment approach.
- To meet with the investment managers when appropriate and to challenge them on performance related issues.
- To identify and discuss any significant investment risks and to communicate any issues to the relevant B&CE Board.
- To identify, recommend and implement any appropriate investment opportunities as recommended by the investment adviser with relevant B&CE Board approval.

3. The Solvency II Committee

The Solvency II Committee's main purpose is to assist the Board in meeting its Solvency II responsibilities. This committee consists of five Non-Executive Directors and is chaired by the Chairman of the Group Board. The CEO, Director of Risk and Regulatory Compliance and Director of Finance attend the meetings of this committee. The Solvency II Committee has been established on a temporary basis during the implementation period of the new regime and will be disbanded at such a time when it is felt that the duties can be met within the Group's permanent governance structures.

The Solvency II Committee has the following key responsibilities:

- To review and recommend amendments to the Group's risk policies.
- Challenge and agree the risk profile of the business.
- Recommend to the Board the risk appetite and tolerance statements including solvency levels and monitor compliance with these.
- Agree the Own Risk and Solvency Assessment ('ORSA') process and steer its formulation.
- Agree and initiate the performance of the ORSA process.
- Agree all stress and scenario tests to be used in the production of the ORSA, including reverse stress testing.
- Review, challenge and understand the actuarial assumptions and figures produced for the ORSA.
- Review and make recommendations to the Board for the sign off of the ORSA report.
- Present to the Board any strategic decisions which are supported or challenged by the ORSA.
- Report to the Board any projected solvency issues arising from the performance of the ORSA.

4. The Remuneration and Nominations Committee

The Remuneration and Nominations Committee's main purpose is to set the framework for the remuneration of the Group's management. This committee currently consists of five Non-Executive Directors and is chaired by the Chairman of the Group Board. The CEO and the Director of People and Premises also attend the meetings of this committee.

The Remuneration and Nominations Committee has the following key responsibilities:

- Determine targets for any performance related pay schemes.
- Determine the total remuneration package for the CEO, Independent Chairman, Board Directors and Executives.
- Consider annual pay review for employees.
- Consider any major changes in employee benefit structures throughout the Group.
- To oversee the adherence of the reimbursement of any claims for expenses from the Independent Chairman.
- Advising the Board on the appointment and, if necessary, the dismissal of Executive and Non-Executive Directors.
- To oversee and receive reports on any significant organisational change; and
- To ensure succession planning for all the Board, CEO and Executives.

Executive Committee and Leadership Groups

The Group Executive Committee ('ExCo') has the responsibility to oversee all aspects of the business plan and has established four internal leadership groups to ensure the Group continues to be well led to achieve its goals. The ExCo is comprised of the CEO, the Director of Finance, the Director of People and Premises, and the chairs of the internal leadership groups.

The Financial Services Leadership Group and Construction Leadership Group are responsible for delivery of the strategic objectives from the business plan and oversight of the implementation within agreed timescales and budgets.

The Operational Leadership Group has the responsibility for overseeing delivery against operational business plan objectives and ensuring high standards of customer service are maintained.

The Risk Assurance Leadership Group is responsible for interpreting and overseeing the implementation of new governance and regulatory requirements. It has responsibility to identify emerging risks and oversee the implementation of risk mitigation plans for the Group.

Key functions

The system of governance includes the Risk function, Compliance function, Actuarial function and Internal Audit function. These functions are fulfilled internally, with the Actuarial function outsourced to Deloitte MCS Limited ('Deloitte').

The main roles and responsibilities for these functions are set out later in this section. During the reporting period, no material changes in the system of governance have taken place.

Remuneration, employee benefits and practices

The Group provides a range of benefits to employees, including paid holiday arrangements, other non-monetary benefits, defined benefits and defined contribution pension plans.

The Remuneration and Nominations Committee is responsible for reviewing the ongoing appropriateness of remuneration policies. It aims to ensure that pay for both staff and Executives is fair, sufficiently competitive to attract and retain talented people, and aligned to the interests of B&CE's customers and the long-term sustainability of the business.

The aim is to ensure that salaries are broadly aligned to similar roles in the market. Base salaries are generally benchmarked against comparable organisations (financial services, south east employers etc.) and the general policy is to benchmark to the market median point.

The remuneration components are balanced and so that fixed components represent a significantly higher proportion of total remuneration than variable bonuses. It is felt that this helps to promote sound and effective risk management and does not encourage excessive risk taking.

If applicable, discretionary bonuses to Executives are considered by the Remuneration and Nominations Committee and aligned to both the delivery of Executive Team objectives as well as personal objectives. Staff bonuses are predominantly based on individual performance, behaviours and the achievement of individual targets.

The Group provides a defined contribution arrangement for employees in The People's Pension which complies with, and exceeds, the government's mandatory automatic enrolment requirements. The defined benefit pension scheme closed to new entrants in January 2014.

Members of the Board receive a fixed fee. Board members are not covered by incentive programmes and do not receive performance-based remuneration. Fees are set at a level that is market aligned and reflects the qualifications and competencies required, the responsibilities and the time the Board members are expected to allocate to discharge their obligations as Board members. No pension contributions are payable on Board members' fees.

Transactions with persons who exercise a significant influence

There were no material transactions with persons who exercise a significant influence on the Group and with members of the administrative, management of supervisory body.

B.2 Fit and proper requirements

The Group ensures that all persons, who effectively run the organisation or have other key functions, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity. Some of the areas would include:

- Insurance and financial markets
- Business strategy and business model
- System of Governance
- Financial and actuarial analysis, and:
- Legal and regulatory framework and requirements

A wide range of personal and professional checks are carried out on individuals employed by the Group, both at inception of their employment and on an annual basis where appropriate.

The Group has a Fit and Proper policy and procedures which is aligned with the regulatory requirements under Fit and Proper. It sets out the procedures to ensure that all those undertaking controlled function on behalf of the Group are and remain fit and proper to carry out those functions.

These procedures ensure that all those holding controlled functions, Senior Insurance Management Function ('SIMF'), Key Function Holders and Key Function Performers:

- meet the requirements of the Regulators' 'fit and proper' test and follow its principles
- comply with the Statement of Responsibilities and
- report anything that could affect their ongoing suitability.

The Board will consider during its assessment of an approved person the respective duties allocated to individual members to ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the Group is managed and overseen in a professional manner.

The process of assessment for an approved person role includes the following:

- A written job description outlining the duties and responsibilities of the role
- An assessment of the level of fitness and propriety required for the role, on the basis of the formally documented job description and person specification
- Verification of identity, relevant qualifications, experience, references and professional memberships where required
- A process that matches the person with the requirements of the role
- Approval by the Board is required prior to the appointment and the FCA/PRA, where required

At appropriate intervals, individuals will be required to confirm that there have been no changes to the information provided at the point of approval and consequently, the fitness and propriety status is unchanged.

The Group's Fit and Proper Policy requires the ongoing monitoring of fitness and propriety which includes a review of ongoing adherence to the conduct standards and ongoing continual professional development in annual reviews. The policy requires individuals who are performing a key function to complete a questionnaire self-assessment form based on their honesty, integrity and reputational soundness.

The Group's performance management process is the primary mechanism for tracking ongoing competency. Appropriate steps are taken to monitor an approved person's individual financial soundness on an ongoing basis.

B.3 Risk management system including the own risk and solvency assessment

The Group considers risk management to be fundamental to good management practice and a significant aspect of corporate governance.

All the Group's activities involve, to varying degrees, the identification, analysis, evaluation, acceptance and management of risks or combinations of risks. An established risk governance framework and ownership structure ensures oversight of and accountability for the effective management of risk.

Three lines of defence

The Group employs a 'three lines of defence' governance model that aims to ensure that risk management is effective, appropriate decisions are made and best practise is implemented and maintained.

- **The first line of defence – Business management**

  Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and control within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

- **The second line of defence – Oversight**

  The second line of defence functions are independent functions that comprise of the Risk function and the Compliance function. The Risk function is accountable for the oversight and challenge of the identification, measurement, monitoring and reporting of significant risks and for developing the risk management framework. The Compliance function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks. It is accountable for maintaining the compliance standards and frameworks within which the Group operates and monitoring and reporting on its compliance risk profile. These functions have the authority to communicate with any employee and obtain timely access to any records required to carry out its responsibilities.

- **The third line of defence – Assurance**

  The third line of defence comprises of the Group's independent assurance function, in the form of an Internal Audit function and external auditor that provide an independent and balanced view of the effectiveness of the first and second line functions as defined above.

Risk management framework

The Group maintains a Risk management framework ('RMF'), which sets out how risk management operates throughout the Group and how it is linked to risk appetite and risk policies, the strategy, the business and solvency and capital management.

The key objective of the RMF is to ensure that the Group has a sound and consistent basis for identifying, measuring, controlling, monitoring and reporting risk at all levels.

The Group's RMF encourages the continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions. Integral to our framework is risk appetite, stress testing and the identification of emerging risks.

The Executive Committee and Executive Leadership Groups focus on risk governance and provide a forward-looking view of risks and their mitigation. The GARC has responsibility for oversight and advice to the Board on the Group's risk appetite, tolerance and strategy, systems of risk management, internal controls and compliance.

Identification, monitoring and management of Risk

The Group has identified and defined a common taxonomy of all key material risks to which the Group is exposed. These material risks are documented in the Risk Register and form a central part of the monitoring and reporting activities.

The Group manages each material risk category with reporting on the risk register against the risk appetite statement. Risks are also directly linked to key controls and these are documented and reviewed on an on-going basis by assigned risk and control owners.

The business itself (all departments, for example Finance, Operations and IT) is responsible for identifying and assessing risks and related controls in the first instance. Management assess risk in the following ways:

- Review of the Risk Register
- Review of Operational Risk Events and Breaches
- Business Performance Reporting
- Regular Management Meetings
- Regular Risk Identification Workshops
- Formal Board and Committee Meetings

Risk is assessed and measured on both a qualitative and quantitative basis and establishes the frequency of the assessment and measurement process. Risk exposures are quantified through the Group's Risk Appetite framework and stress and scenario testing processes.

Business performance, risk exposures and large loss notifications are monitored and reported on a regular basis.

The Risk Management function monitors risk levels independently from the Management Team and reports to the GARC on a quarterly basis, or more often as required. The report provides an indication of performance against agreed risk appetite limits plus any new and emerging risk trends.

Risk profile

The risk profile is defined as a complete view of all possible risk types that each of the entities may face. For this reason, we articulate at a higher level than the risk register and focus on identifying possible risk types, rather than risk events/assessments. Defining the risk profile ensures we have a clear and complete view of all the types of risks that could potentially impact the Group.

Risk appetite, tolerances and limits

The Board has set and agreed risk appetite and tolerances. The risk appetite of the Board requires a minimum Financial Strength Ratio ('FSR') of 150% and free assets of at least £25m for B&CE Insurance Limited, and an FSR of at least 150% for the Group as a whole.

The Group's Risk Appetite Statements set out the overall attitude to risk, defining the qualitative and quantitative risk appetite statement for each material risk type facing the business and these are aligned to the business objectives. A set of limits, triggers and monitoring processes are used to guide day-to-day decision making in line with Board metrics. Risk tolerances are set on a risk type basis for each category, a clear set of tolerances are in place to ensure risk taking is managed in line with boundaries defined by the Board.

Regular management team meetings and Committee meetings take place that monitor limits and implement remedial actions as required. A record is maintained of appropriate management actions that have been taken to mitigate a breach. In the event a breach occurs, it is communicated through the appropriate governance channels.

We did not see any material breaches to our risk limits during the year.

B.4 Own Risk and Solvency Assessment ('ORSA')

The ORSA is a central component of the Risk Management Framework and the key internal processes undertaken to determine the own funds necessary to ensure that the Group's overall solvency needs are met at all times. The ORSA addresses all key risks that the Group has identified (both internal and external) that are applicable to the Group and considers the business strategy and required capital over a five-year period.

The Risk function co-ordinates the production of the ORSA report in conjunction with subject matter experts across the business including Actuarial, Compliance and Finance.

Overall responsibility for the ORSA rests with the Board. The Board review and approve the ORSA report annually, which is consistent with the stable nature of the Group's capital needs over time. Additional interim ORSAs may be undertaken more frequently if specific triggers occur which are set out in the ORSA policy. One interim ORSA was produced during the year in order to assess the impact of significant planned expenditure on upgrading IT systems.

The ORSA process includes:

- A review of business plans
- A review of risk registers and risk appetite statements
- Review, testing and assessment by the Actuarial function
- Review, assessment and reporting from the Risk function
- Issuing of the final ORSA for approval and submission to the PRA

The Group SCR defines the amount of capital that the Group must hold to satisfy regulatory requirements. The Group Minimum Capital Requirement ('MCR') represents the absolute minimum level of capital that the Group must hold to avoid regulatory action. The Board has adopted the Standard Formula as the method for calculating the required capital needs of the Group.

As part of this assessment a number of stress and scenario tests are selected by the Board in order to understand how sensitive the Groups financial and solvency position is to certain events or under different strategic planning assumptions. The outputs are reviewed by management and challenged by the Board and, where appropriate, potential management actions are noted and conclusions drawn. The key conclusions from the ORSA process are summarised in the ORSA report which will be discussed and challenged by the Board. Strategic business decisions are made after consideration of the outputs of the SCR and ORSA.

B.5 Internal control system

The system of internal control is designed to manage and minimise the risk of failure to achieve the overall business objectives. In pursuing these objectives, internal controls can only provide a reasonable and not absolute assurance against material misstatement or loss. These internal controls are documented in risk registers and procedure documents, which set out the detailed processes for all aspects of the management of the Group on a day to day basis.

The Group has established and maintains a system of governance which provides for the sound and prudent management of the business and includes:

- A transparent organisation structure with clear allocation and appropriate segregation of responsibilities
- An effective system for the review of management information and transparent decision making and
- Compliance with the system of governance requirements

The GARC is responsible for maintaining oversight of the control environment within the Group with the Internal Audit function through planned and commissioned reviews of processes, and providing an opinion on the internal control framework of the Group's business.

The Compliance function is responsible for:

- Identifying, assessing, monitoring and reporting on the Group's compliance risk exposure
- Assessing possible impact of legislative change and monitoring the appropriateness of compliance procedures and
- Assisting, supporting and advising the Group in fulfilling its responsibilities to manage compliance risks

The Risk function is responsible for:

- Identifying, managing, monitoring and reporting on current and emerging risks
- Setting the overall risk management and strategic framework
- Monitoring and assisting in the effectives operation of the Group's risk management framework and maintaining an accurate view of the Group's risk profile and
- Contributing to the ORSA process

The Risk and Compliance functions are independent and provide limited assurance to the Board with regards to the adequacy and effectiveness of the overall risk management system and the

relevant legal and regulatory requirements of the business. These functions have the authority to communicate with any employee and obtain timely access to any records required to carry out its responsibilities.

The Director of Risk and Regulatory Compliance is responsible for reporting to the Board on all compliance and risk related matters, with day-to-day monitoring completed by both the Head of Risk and Business Continuity and Head of Regulatory and Product Assurance.

B.6 Internal Audit function

A permanent Internal Audit function has been established, which operates in accordance with the Internal Standards for the Professional Practice of Internal Auditing and is independent from the operational functions. The Internal Audit function constitutes an integral element of the Group's framework but does not hold any executive responsibilities or accountability for risk management or systems of internal control, other than to appraise their effectiveness.

The Internal Audit function acts as an independent, objective assurance and consulting function, providing analysis and evaluation of the adequacy, effectiveness, efficiency and quality of risk management, internal control and governance systems and processes.

The Internal Audit function is responsible for:

- Developing and operating a risk based internal audit cycle and
- Monitoring and reporting on the adequacy of risk controls, acting as the independent third line of defence

The Internal Audit Manager is a qualified internal auditor reporting to the GARC. The effectiveness of the Internal Audit function as an assurance service depends upon its independence from the day-to-day operations of the business, which allows the objective assessment of evidence to provide an independent opinion or conclusions regarding a process, system, or other subject matter. The Internal Audit Manager is required to provide confirmation to the GARC, on at least an annual basis, of the organisational independence of the Internal Audit function, this confirmation is undertaken through reporting to the GARC to the Board.

B.7 Actuarial function

The Actuarial function is outsourced to Deloitte. The position of Chief Actuary for B&CE Insurance Limited is held by Rachael Armitage, who is employed by Deloitte.

The responsibilities of the Chief Actuary are set out under Conditions Governing Business 6, in the PRA Handbook. These are to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions in the cases set out in Technical Provisions 12 of the PRA Rulebook (these cases are where approximations are needed);
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk-management system (referred to in Conditions Governing Business 3), in particular with respect to the risk modelling underlying the calculation of the SCR, the MCR and to the firm's ORSA.

B.8 Outsourcing

The Group outsources and enters into outsourcing arrangements only when there is a sound commercial basis for doing so, and where the risk can be effectively managed. The Group has implemented an Outsourcing Policy to establish the requirements for identifying, justifying, implementing and monitoring outsourcing arrangements. This policy sets out the requirements for outsourcing critical or important functions and activities.

A due diligence process is undertaken prior to any final decision being made to determine 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 outsourcing arrangements are subject to regular review and any significant findings of this review are reported to the Board.

The following is a list of the critical or important operational functions the Group has outsourced together with the jurisdiction in which the service provider of such functions or activities are located.

Name of provider	Service outsourced	Relationship owner	Jurisdiction
B&CEFSL	Intra-group IT and Policy Administration	CEO	UK
Deloitte MCS	Actuarial Function	Director of Finance	UK
OAC	Actuarial services – general insurance	Director of Finance	UK
Hymans	Administration and Actuarial services	Director of Finance	UK
LGIM	Investment Management	Director of Finance	UK
SSGA	Investment Management	Director of Finance	UK

B.9 Any other information

There were no material changes to the Group's corporate governance structure during the reporting period. The Group has assessed its structure and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Group.

C. RISK PROFILE

The Risk Profile section of the report captures the overall risk status of the Group taking into account all the material risks to which the Group is exposed. For each major risk grouping this section provides a description of:

- Risk exposure
- Measures used to assess the risk
- Risk concentration
- Risk mitigation; and
- Risk sensitivity

Risk management objectives and risk policies

The Group's objective in the management of risk is to limit the total amount of risk exposure taken so that it does not exceed approved quantified limits. The management of risk is fundamental to our activities at a strategic, tactical and operational level and seeks to:

- Ensure that the risk appetite is reflective of the Group's overall business strategy
- Protect the interests of the Group and customers
- Comply with legal and regulatory requirements

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. It manages these positions within an asset liability management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contract.

There have been no breaches to the stated risk tolerances during the year.

Risk profile

B&CE Group writes primarily unit-linked pensions business. These contracts do not include any financial options or investment guarantees. In addition, the Group writes short-term protection business, although new business volumes are low. It has a legacy term assurance contract which is closed to new business.

Capital is primarily generated by the excess of annual management charge income over expenses incurred in acquiring and administering the unit-linked pensions business.

The Group's risk profile is stable and generally changes only gradually from year to year.

The principal risks to which the Group is exposed are underwriting, counterparty default, market, credit, liquidity and operational risks. These are considered within the ORSA Report and presented to the Board on at least an annual basis.

Prudent Person Principle

Under the Prudent Person Principle, firms are expected to understand fully the risks relating to their investments, make proper provision for them via the SCR and ensure that investment decisions are made in the best interests of policyholders. All investment risks must be properly identified, measured, monitored, managed, controlled and reported.

Investment risks are managed and overseen by the Group Investment Committee working with B&CE's internal investment and finance functions. The Group invests its assets in accordance with the Prudent Person Principle by way of a robust investment governance structure with oversight provided by the Investment Committee.

C.1.Underwriting risk

The Group has underwriting risk predominantly in the following areas:

- **Life underwriting risk:**
  - Expense risk – the risk that expenses escalate to a higher level than expected.
  - Lapse risk – the risk that 'profitable' EasyBuild policies lapse at a higher rate than expected.

- **Health underwriting risk:**
  - Reserve risk – the variability that might occur between the reserves established for past events and the actual claim payments and reserves that will need to be established at the next year end.
  - Premium risk – the variability that might occur between the liabilities recognised for future events occurring out of cover that has already been paid for.
  - Health catastrophe risk – relates to mass accident events and accident concentration risk related to the accident cover provided by the Group.

The life underwriting risk exposure is through the EasyBuild product, while the health underwriting risk is through the Employer Accident Cover ('EAC') and RapidCash products.

The Group monitors and controls underwriting risks via various methods, including:

- B&CEIL has outsourced the administration of EasyBuild to B&CEFSL in order to reduce expense risk.
- The Term Life product is reinsured under a 90% quota share agreement with Swiss Re. This helps to mitigate the small amount of mortality risk that B&CEIL is exposed to.

The overall diversified solvency capital requirement for the life underwriting module at 31 March 2017 was £17.7m (£19.3m undiversified). The overall diversified solvency capital requirement for the health underwriting module at 31 March 2017 was £0.9m (£1.1m undiversified).

No material changes to the underwriting risk profile have occurred during the reporting period.

C.2 Market risk

Market risk is the risk of loss in value of an investment arising from movements in market prices.

The Group is exposed to market risk on both its linked and non-linked assets as follows:

- **Equity risk** – the risk of loss in value of equities due to fall in equity markets

  A fall in equity markets would impact the following:

  - the non-linked equity holdings held by the Group, including the L&G Mixed Investment 0-35%;
  - the net asset value of the Group's strategic investments (B&CE FSL and CBH);
  - the unit-linked equity holdings of the EasyBuild scheme; the consequence of the latter on the B&CE Group is that the expected future income from the EasyBuild annual management charges would fall as the value of the underlying funds falls; and
  - the staff defined benefit pension scheme; the consequence of this on the B&CE Group is that a fall in the value of the pension scheme assets could lead to a requirement for B&CEHL to make additional deficit payments in order to repair the scheme's funding position.

- **Interest rate risk** – the risk of adverse movement in value of those assets and liabilities the values of which are sensitive to changes in the term structure of interest rates.

  Movements in interest rates would impact the following:

  - the non-linked fixed interest holdings (gilts and corporate bonds) held by the Group through the LGIM pooled funds;
  - the unit-linked fixed interest holdings of the EasyBuild scheme;
  - the future growth of the EasyBuild unit-linked funds;
  - the non-unit best estimate liability in respect of EasyBuild; and
  - the staff defined benefit pension scheme; the consequence of this on the B&CE Group is that a fall in the value of the pension scheme assets or an increase in the value of the pension scheme liabilities could lead to a requirement for B&CEHL to make additional deficit payments in order to repair the scheme's funding position.

  The impact of both an interest rate increase and an interest rate decrease is considered and the more onerous is used to derive the capital requirement.

- **Credit risk** – the risk that a counterparty to a financial instrument will default on its obligations thereby causing financial loss to the Group.

  The Group has exposure through its unit-linked liabilities (i.e. EasyBuild) and through the LGIM pooled funds due to corporate bonds and those sovereign debt holdings that are not deemed to be risk-free.

- **Currency risk** – the risk of reductions in earnings and / or value of assets due to deviations in currency exchange rates.

Currency movements would impact on the following which all have exposure to overseas investments:

- the non-linked equity holdings held by the Group, including the L&G Mixed Investment 0-35%;
- the unit-linked equity holdings of the EasyBuild scheme; the consequence of this on the B&CE Group is that the expected future income from the EasyBuild annual management charges would fall as the value of the underlying funds falls; and
- the staff defined benefit pension scheme; the consequence of this on the B&CE Group is that a fall in the value of the pension scheme assets could lead to a requirement for B&CEHL to make additional deficit payments in order to repair the scheme's funding position.

- **Property risk** – the risk of the loss in value of immovable property due to adverse movement in the property markets.

  A fall in property values would impact:

  - the value of the land and premises the Group owns and operates from; and
  - the staff defined benefit pension scheme. A fall in the value of the pension scheme assets could lead to a requirement for B&CEHL to make additional deficit payments in order to repair the scheme's funding position.

The Group's greatest area of risk exposure is market risk. Significant market risk is accepted within the Group's risk appetite, and is seen as an inherent part of the part of the Group's business whilst it continues to operate unit-linked pension business.

The Group monitors and controls market risk via various methods, including:

- The Board has established an Investment Committee which meets at least quarterly to provide oversight of the Group's investment activities.
- The Group has an appointed professional investment adviser who attends all Investment Committee meetings and provides formal advice for all investment decisions taken.
- The Group invests in diversified investments funds.
- The Group has established investment policies which restrict where it will invest, including asset type and quality.
- The Group uses well regarded and high-profile investment managers. When selecting investment managers, the Group followed a robust selection process before appointing them, and carries out regular review to ensure they are adhering to agreed policies.
- The unit-linked funds are reinsured to Managed Pension Funds Limited.

The overall diversified solvency capital requirement for the market risk module at 31 March 2017 was £36.5m (£46.8m undiversified).

No material changes to the market risk profile have occurred during the reporting period.

C.3 Counterparty default risk

This is the risk of loss due to default of the Group's counterparties and debtors.

For the Group, the counterparty exposures are the reinsured unit funds to Managed Pensions Fund Limited ("MPF") within the State Street Corporation group and a number of "cash at bank" holdings held as liquid assets within the Group and the staff defined benefit pension scheme.

The Group monitors counterparty risk via various methods, including:

- The Board regularly reviews the credit ratings of counterparties, including the State Street Corporation group.
- The Board reviews regularly the Solvency II Financial Strength Ratio of Managed Pension Funds Limited.

The Group recognises that its exposure to counterparty risk is relatively high due to the reinsurance relationship with MPF. This is felt to be a necessary risk which the Group accepts given that it is a necessary tool to enable it to write pension business. The controls around counterparty risk are therefore limited but it should be noted that financial due diligence is carried out prior to appointment of reinsurers and banks used by the Group.

No financial assets are past due or impaired at the reporting date and management expects no significant losses form non-performance by these counterparties.

The overall net solvency capital requirement for the credit risk module at 31 March 2017 was £16.9m.

No material changes to the level and nature of counterparty risk exposure have occurred during the reporting period.

C.4 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Group is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

The Group's exposure to liquidity risk is considered to be low since it maintains a high level of liquid assets to meets its liabilities. Liquidity risk is not considered as a separate stress under the standard formula SCR. It has not been identified as a material risk once mitigation and controls are allowed for.

The Finance Team carries out regular cash flow projections to ensure that sufficient cash is held on deposit to meet upcoming outflows. The Group also has significant holdings on investment instruments which can be realised at short notice if required.

C.5 Operational risk

Operational risk is the risk of loss or adverse consequences for the Group resulting from inadequate or failed internal processes, people or systems, in particular cyber risk, or from external events.

This is limited and mitigated through effective first line of defence controls within procedures and where appropriate automated processes. The Group has no appetite for financial losses arising from failings or errors from people, processes and systems, particularly when such losses could translate into:

- A negative impact on the Group's reputation
- An inability to provide services to our customers
- A breach to applicable laws and regulations

Risk identification, assessment, monitoring, manging and reporting is based on the specific risks within the risk categories and these are scored against the Board's set risk appetite. The risk appetite is reviewed annually by the Board resulting from a review of the outcomes of the ORSA required annually under Solvency II.

The Group has operational risk predominantly in the following areas:

- **IT**
  - The risk arising from lack of effectiveness, integrity, reliability, capacity and/or availability of IT infrastructure
- **Cyber / Data security**
  - The risks of the inability to protect data from unauthorised access, use, disclosure, disruption, modification and/or destruction.
- **People**
  - The risk of inadequate recruitment practises, development, management or retention of employees and/or contractors.
- **Process management**
  - The risk to a department's service arising from a failure to carry out operational processes in an accurate, timely or complete manner
- **Regulatory and Legal**
  - The risk of change in regulations or law that might affect the industry or business in which we operate.
- **Outsourcing**
  - The risk of failure, non-performance, ineffective management and/or oversight of an outsourcing partner or third party.

The Group monitors and controls operational risk via various methods including:

- Risk and control assessments – the enterprise risk management framework requires all teams across the business to carry out a risk and control self-assessment which would highlight any operational risk issues that need to be taken into account when assessing the risk profile for the business.
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirements includes an assessment and quantification of the operational risk exposure.

Operational risks are regularly reviewed, including an annual in-depth analysis and discussion at risk assessment meeting with management and relevant committees.

As part of the ORSA, stress and scenario testing is undertaken to assess the risk sensitivity for operational risks.

Risk mitigation techniques used for operational risks

All material risks which the Group is exposed to, are identified and recorded in the risk register. The risks are assessed and once the actions required to manage the risks have been agreed, the risks are reported to management, the GARC and the Board.

The following list outlines the actions/techniques used for mitigating operational risks within the Group:

Treatment	Actions required
Risk tolerance	The Group will have considered all other mitigation techniques and may proceed to accept the risk.
Risk treatment	The Group where possible, will take actions to reduce the impact of a risk.
Risk transfer	The Group outsources a number of activities and in some cases the associated risks with carrying out those activities. The Group retains responsibility for these and manages its outsourcing relationships accordingly.
Risk termination	Where risks are outside of risk appetite and there are no commercially viable means of reducing the risk, the group may remove the risk.

The Group conducts various stress tests to assess the implications of various scenarios on the capital position of the group. These are completed as part of the ORSA process. Overall the ORSA exercise concludes that under a number of financial scenarios, the Group remains well capitalised with capital in excess of the SCR.

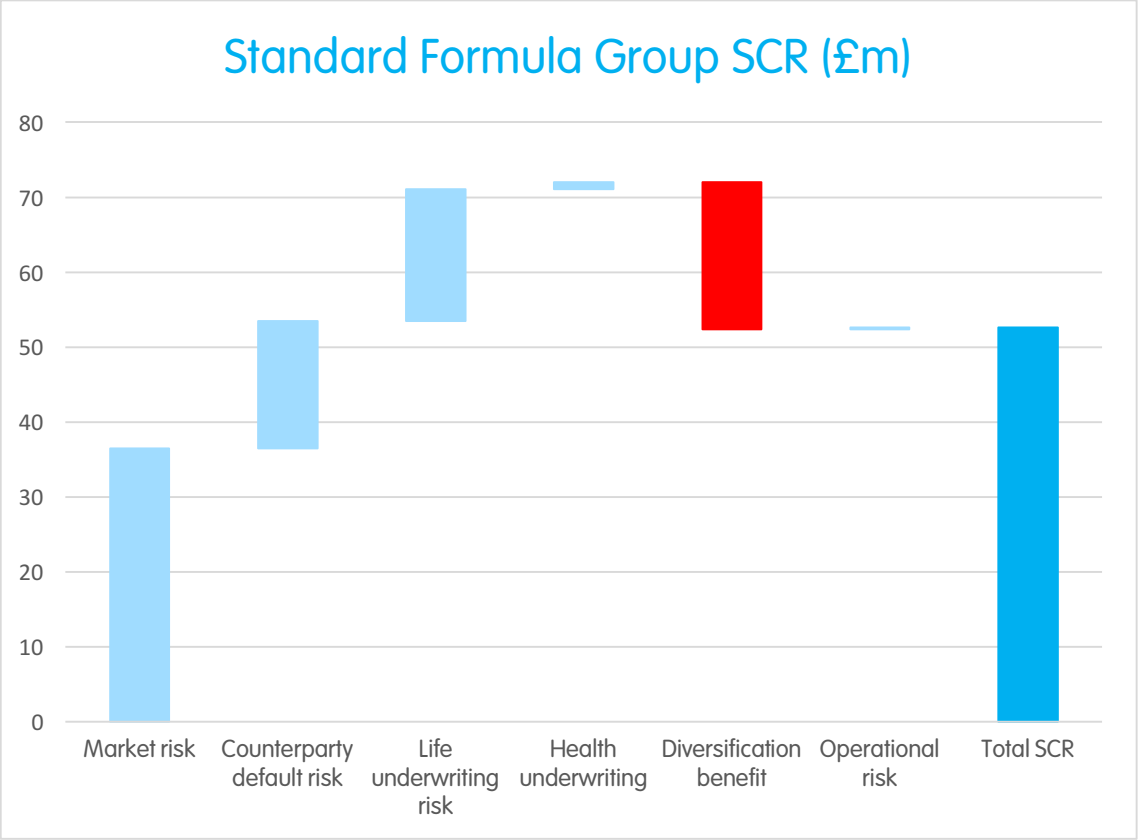
No material changes to the operational risk profile have occurred during the reporting period.

C.6 Risk exposure and concentration of risk

The risk exposures calculated as part of the SCR at 31 March 2017 were:

Breakdown of Group Solvency Capital Requirement (£000)		
Risk	**31 March 2017[1]**	**31 March 2016[1]**
Life Underwriting risk		
Mortality	193	147
Expense	3,388	3,060
Lapse (mass)	15,683	13,706
Life Catastrophe	59	51
Total before diversification [2]	19,323	16,965
Diversification benefit	(1,673)	(1,478)
Total	17,650	15,487
Health Underwriting risk		
NSLT Health Underwriting	340	486
Health Catastrophe	780	780
Total before diversification	1,120	1,266
Diversification benefit	(195)	(249)
Total [2]	926	1,017
Market risk		
Equity	28,529	23,400
Interest rate (down)	3,261	4,366
Credit spread	3,962	5,973
Concentration	548	1,257
Currency	8,864	4,798
Property	1,600	-
Total before diversification	46,764	39,794
Diversification benefit	(10,273)	(9,504)
Total [2]	36,491	30,291
Counterparty default risk	16,943	14,946
Total risk capital before diversification[2]	72,010	61,740
Diversification benefit[3]	(19,621)	(17,139)
Total risk capital	52,389	44,601
Operational risk	194	185
Total Solvency Capital Requirement [2]	52,584	44,787

1. *Loss amounts are the reductions in Own Funds as a result of each of the stresses, based on the impact each stress has on both the assets and the liabilities.*
2. *Apparent discrepancy due to rounding.*
3. *Total risk capital from the Life underwriting, Health underwriting, Market and Counterparty default risk modules after allowing for the diversification benefit within these modules.*
4. *Diversification benefit between the Life underwriting, Health underwriting, Market and Counterparty default risk modules.*


Standard Formula Group SCR (£m)
80
70
60
50
40
30
20
10
0
Market risk
Counterparty default risk
Life underwriting risk
Health underwriting
Diversification benefit
Operational risk
Total SCR

C.7 Risk Sensitivity

In order to monitor the impact of sensitivity of material risk and events on the Group's Solvency II surplus asset position, the Group has performed the following stress tests when producing the annual 2016 Group ORSA report.

- **EasyBuild transfer**: This considers the transfer of EasyBuild out of B&CEIL and into The People's Pension; a range of different transfer timings were considered.

- **Equity downturn**: This considers an immediate 34% fall in market value of equities.

- **B&CEIL takes back the administration of EasyBuild**: This considers an increase in B&CEIL expenses to levels assumed before the administration was outsourced to B&CEFSL.

- **Mass lapse**: This considers (i) 60% of employed policyholders lapse within the next year; and (ii) 100% of self-financing (i.e. policies for which expected future charges exceed expected future) expenses lapse within the next year.

- **Changes to pricing model**: This considers a range of pricing changes.

- **Reinsurer downgrade**: considers a downgrade in SSGA from AA (current rating) to A.

- **Adverse impact of Brexit scenario**: considers a scenario of an equity downturn of 34%, a mass lapse of 60% of employed policyholders, a downgrade of State Street Corporation from AA to A, a fall in risk-free rates and a 20% increase in expenses.

Under each stress scenario, assets and liabilities and the SCR are revalued and each of the stressed balance sheets is projected over a five-year period.

Under each of the stress scenarios, the B&CE Group maintained a Financial Strength Ratio of at least 175% as at 31 March 2016.

The 2017 ORSA Report is currently in development.

C.8 Other material risks

The Group is not exposed to any other material risks. On an annual basis the Group conducts an assessment of its risk profile against the risk elements included in the standard formula calculation. This assessment considers key risks, stresses and correlations between them and has concluded that the standard formula remains appropriate for the business.

D. VALUATION FOR SOLVENCY PURPOSES

This Valuation for Solvency Purposes section of the report describes the valuation of assets, technical provisions and other liabilities from UK GAAP basis to a Solvency II basis. The section also outlines the approach and methodology underlying the valuation.

D.1 Valuation of assets

Assets have been valued according to the requirements of the Solvency II Directive and related guidance, at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

The following table sets out the assets and liabilities held as at 31 March 2017:

Assets	Solvency II £000	UK GAAP £000	Solvency II Movement £000
Intangible assets	0	203	(203)
Property, plant & equipment	6,400	4,610	1,790
Holdings in related undertakings	18,063	0	18,063
Collective investments undertakings	101,001	82,548	18,453
Assets held for unit-linked contracts	547	547	0
Reinsurance recoverables – Other Life	15	15	0
Reinsurance recoverables – Life (unit-linked)	1,048,319	1,048,948	(629)
Insurance receivables	907	907	0
Cash and cash equivalents	3,276	33,950	(30,674)
Any other assets, not elsewhere shown	1,355	11,395	(10,040)
Total assets	**1,179,883**	**1,183,123**	**(3,240)**
Liabilities			
Technical provisions – Health	460	391	69
Technical provisions – Other Life	115	117	(2)
Technical provisions – Life (unit-linked)	1,032,750	1,049,495	(16,745)
Deferred tax liabilities	128	128	0
Payables (trade, not insurance)	4,267	4,267	0
Any other liabilities, not elsewhere shown	7,365	11,563	(4,198)
Total liabilities	**1,045,085**	**1,065,961**	**(20,876)**
Excess of assets over liabilities	**134,798**	**117,162**	**17,636**

The valuation principles applied to the following assets under Solvency II are consistent with those used in the UK GAAP accounts and are explained below with any differences noted:

Holdings in related undertakings

Following Article 171 in the Delegated Acts, the subsidiaries B&CEFSL and CBH have been reported as Holdings in related undertakings as they are strategic equity investments. BCEFSL is authorised and regulated by the FCA as an administration and distribution services company and CBH, as a national scheme for the management of occupational health in the construction industry, is not regulated.

The values for B&CEFSL and CBH are consolidated in the UK GAAP figures on a line for line basis but for Solvency II they are treated as strategic investments and are shown as Holdings in related undertakings with a value of £18,063k. They are measured at net asset value under fair value principles and adjusted for intangible assets and inter-company balances.

Intangible assets

Under Solvency II intangibles can only be ascribed a value when they can be sold separately and it can demonstrate there are quoted prices in active markets for same or similar assets. All intangible assets do not meet those conditions and therefore are ascribed a value of nil.

Property, plant and equipment

Under the Solvency II basis, where it is found that an active market exists amounts are presented at fair value, which is the independently assessed market value, or a suitable proxy. Where no market value or suitable proxy exists, a value of nil is ascribed.

This differs from UK GAAP which follows a depreciated cost model.

Investments in collective investment undertakings

Investments in collective investment undertakings are valued at fair value based on market value at the reporting date which is bid price or, where investments are dealt at a single price, then this value is used. The fair value is the quoted price (unadjusted) in an active market for identical assets and is used for both UK GAAP and Solvency II.

Under Solvency II, the fair value of an externally-managed collective investment undertaking used for the management of short term liquidity by the Group with a fair value of £22,465k has been re-classified as a collective investment undertaking from cash and cash equivalents under UK GAAP. The remaining difference relates to collective undertakings held by B&CEFSL which have been reclassified within Holdings in related undertakings.

Reinsurance recoverables

Reinsurance recoverables are separately identified between Reinsurance recoverables - Other Life and Reinsurance recoverables - Life (unit-linked). The only difference to the UK GAAP valuations relates to a counterparty default adjustment which is not included under UK GAAP, see paragraph below on Material differences between Solvency II and UK GAAP valuation.

Cash and cash equivalents

Under UK GAAP cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible into known amounts of cash and that are not subject to a significant risk of a change in value. Such investments are classified as cash equivalents where they have maturity dates of three months or less from the date of acquisition. Cash and cash equivalents are considered to be held at fair value under UK GAAP.

Under UK GAAP, cash and cash equivalents includes £22,465k being the fair value of an externally-managed collective investment undertaking used for the management of short term liquidity by the Group. Under Solvency II, the £22,465k has been re-classified under collective investment undertakings and £8,210k, relating to B&CEFSL and CBH, has been re-classified as part of the Holdings in related undertakings.

Any other assets

The difference relates to the reclassification of other assets of B&CEFSL and CBH, £10,040k to Holdings in related undertakings. The valuation of Any other assets is considered to be representative of fair value.

Material differences between the Solvency II and UK GAAP asset valuation

There is one key difference between the approach to valuing assets under Solvency II and under UK GAAP. This is in respect of a counterparty default adjustment required under Solvency II.

Under Solvency II (in accordance with the Delegated Regulation (EU) 2015/35, Article 42), a counterparty default adjustment is applied to the unit-linked assets to take into account the expected losses in the event of default by Managed Pension Funds. This adjustment is £629k at year-end 2017, and is deducted from the value of unit-linked assets. Such an adjustment is not required under UK GAAP.

D.2 Technical provisions

There are a number of differences in the valuation methodology for technical provisions between Solvency II and UK GAAP.

The table below shows the technical provisions as at 31 March 2017, by Solvency II line of business. The UK GAAP results are shown for comparison.

Technical provisions (£000)	Solvency II	UK GAAP
Index-linked and unit-linked insurance		
Best-estimate / reserve	1,013,416	1,049,495
Risk margin	19,333	
Total	**1,032,750^**	
Reinsurance recoverable	1,048,319	1,048,948
Total after allowing for recoverables	**(15,569)**	**547**
Other life insurance		
Best-estimate / reserve	115	117
Risk margin	-	
Total	**115**	
Reinsurance recoverables	15	15
Total after allowing for recoverables	**100**	**102**
Workers compensation and Income protection insurance		
Best-estimate / reserve	386	391
Risk margin	74	
Total	**460**	
Reinsurance recoverables	-	-
Total after allowing for recoverables	**460**	**391**
Net technical provisions, after recoverables	**(15,009)**	**1,040**

^ *Difference due to rounding*

Calculation methodology

Index-linked and unit-linked insurance

Solvency II regulations classify the EasyBuild product as 'Index-linked and unit-linked insurance'. The EasyBuild best estimate liability ('BEL') is made up of a non-unit BEL plus a unit BEL.

The non-unit BEL is derived at an individual policy level from the difference between the present value of the following expected future cash flows:

- the proportion of annual management charges that will be received by B&CEIL on each EasyBuild policy and
- future EasyBuild expenses expected to be incurred by B&CEIL.

The non-unit BEL is negative, reflecting the fact that future charges are expected to exceed future expenses.

The unit BEL is calculated using the unit price that would have been applied to claims made on that day. This is a mid-day, mid-market price.

In line with Solvency II regulations regarding contract boundaries, no allowance for future premiums has been included in the EasyBuild BEL as there is no obligation on the policyholder to pay any further premiums.

The risk margin is calculated using the cost-of-capital approach prescribed in the Solvency II regulations. Projected capital requirements are calculated for individual risks using appropriate risk drivers.

Other life insurance

B&CEIL's Term Assurance product is classified as 'Other life insurance'. It closed to new business several years ago and there are just 13 polices in-force as at 31 March 2017.

As a result of its low materiality, a proportionate approach to calculating the Term Assurance BEL has been taken. The gross BEL is £17,000 and is set to equal the level of the Solvency I reserve held since 31 March 2009 when there were approximately 80 policies still in-force. An additional BEL is held in order to cover administration expenses that exceed the reasonable level of expenses allowed for within the Solvency I reserve.

A risk margin has not been calculated for this line of business for reasons of proportionality.

Worker's compensation and Income protection insurance

B&CEIL's Employee Accident Cover ('EAC') product is a group accident policy sold to employers, classified under Solvency II as 'Workers' compensation'. RapidCash is a short term personal accident policy, classified as 'Income protection'.

The BEL for each of these products covers claims and expenses in respect of:

- events that have occurred prior to the valuation date, and
- periods after the valuation date for which a premium has already been paid.

To calculate the BEL, an ultimate loss ratio (a long-term ratio of claims paid to premiums received) is assumed for each cohort. Claims which have not yet matured are assumed to be captured by the difference between this ultimate loss ratio and the loss ratio experienced to date. In addition, to allow for adverse fluctuations, future claims costs are subject to a minimum run-off pattern assumed for each underwriting year.

The risk margin is calculated using the cost-of-capital approach prescribed in the Solvency II regulations.

Main assumptions

Index-linked and unit-linked insurance

Expenses

The expenses are derived as the total EasyBuild administration expenses that B&CEIL expects to incur over the year from the valuation date, divided by the total number of EasyBuild policies inforce at the valuation date. The company performs an annual expense analysis in order to inform these expected costs.

Interest rates

As specified by the Solvency II regulations, B&CEIL uses the GBP risk-free rate structure published by EIOPA in order to discount future cash flows in the calculation of technical provisions. B&CEIL did not use a matching adjustment or a volatility adjustment at 31 March 2017.

Expense inflation

The expense inflation assumption is based on an assumed long-term rate of Retail Price Index ('RPI') inflation, calculated using real and nominal long-term gilt yields. An adjustment is made to take into account the Average Weekly Earnings ('AWE') index inflation as the majority of expenses remaining within B&CEIL relate to professional fees and future expense increases are therefore linked closely to wage inflation.

Unit growth

Solvency II regulations state that all assets are assumed to earn the same basic risk-free rate. The EasyBuild unit fund is therefore assumed to grow in line with the same risk-free term structure used to discount future cash flows.

Lapse rate

Lapse rate assumptions are set using an analysis of past experience together with expectations of any future changes in lapse rates. Lapse rates vary by employment status, and are expected to reduce once automatic enrolment staging is completed.

Mortality

The EasyBuild mortality assumption is set as a fixed percentage (90%) of standard AM/F92 mortality tables. Annual investigations are carried out to monitor experience against assumed mortality rates.

Other life insurance

The simplified approach taken to calculating the term assurance BEL means that assumptions for this line of business are not required.

Worker's compensation and Income protection insurance

The key assumptions used to derive the BEL for both EAC and RapidCash are the ultimate loss ratios and run-off. These are derived based on past experience. The Group is not aware of any significant changes in the external environment that suggest that the past history used is no longer relevant for future experience.

Level of uncertainty associated with the value of technical provisions

Uncertainty in the technical provisions is driven from deviations between the best estimate assumptions and future experience. For B&CEIL, the EasyBuild technical provisions are most sensitive to lapse rates and expenses.

Analysis of recent lapse experience demonstrates that lapse rates have stabilised now that the automatic enrolment staging process is nearing completion. This is as expected.

Uncertainty in expenses has reduced now that B&CEIL has outsourced the administration of EasyBuild to B&CEFSL.

Expenses remaining within B&CEIL relate to fees for professional services, with budgets agreed with third-party providers prior to the financial year.

Differences between Solvency II technical provisions and UK GAAP technical provisions for valuation in financial statements

The main differences between the Solvency II and UK GAAP technical provisions arise from:

- the Solvency II technical provisions calculation uses best estimate assumptions whereas the UK GAAP assumptions include a prudent margin for adverse experience;
- the Solvency II discount rate for calculating technical provisions is the risk-free term structure published by EIOPA, whereas the UK GAAP reserves are calculated using a flat Valuation Rate of Interest based on the risk-adjusted yield of the assets backing the reserves;
- the Solvency II future expense assumption takes into account both attributable and non-attributable expenses at an individual level. UK GAAP reserves are calculated using only the attributable expenses at an individual level, with reserves for non-attributable expenses determined at the risk group level with a minimum value of zero;
- the EIOPA risk-free term structure is also used for the assumed growth of the EasyBuild unit fund. For the UK GAAP reserves, the assumption for the growth of the unit fund is based on the long-term gilt yield with an equity premium uplift;
- negative best estimate liabilities are permitted under Solvency II, whereas the UK GAAP reserves have a floor of zero for each individual policy; and
- the Solvency II technical provisions include a risk margin.

Reinsurance recoverables

B&CEIL has the following reinsurance arrangements in place:

- 90% of the closed term assurance business (other life insurance) is reinsured to Swiss Re under a quota share arrangement. B&CEI passes 90% of premiums received to Swiss Re and, in return, Swiss Re pays out 90% of any death claims incurred and
- 100% of the EasyBuild (Index-linked and unit-linked insurance) unit funds are reinsured with Managed Pension Funds Limited ('MPF'), a subsidiary of State Street Corporation Limited. This is not a typical reinsurance arrangement in the sense that it is an enabler of risk transfer or income smoothing. Instead, MPF acts as a fund manager for B&CEIL's EasyBuild funds.

The table below shows the amounts of recoverables from reinsurance contracts as at 31 March 2017 for each Solvency II line of business. B&CE has no exposure to special purpose vehicles.

(£000)	Recoverables from reinsurance contracts 31 March 2017
Index-linked and unit-linked insurance[1]	1,048,318
Other life insurance	15
Worker's compensation and income protection insurance	-
Total	**1,048,333**

Notes: 1. includes an adjustment for counterparty default in according with Solvency II regulations

Matching adjustment, volatility adjustment, transitional risk-free interest rate term structure, and transitional deduction

B&CE Group has not applied any matching adjustment, volatility adjustment, transitional risk-free interest rate term structure, or transitional deduction.

D.3 Other liabilities

The following table sets out the classes of other liabilities as at 31 March 2017:

Liability	Solvency II £000	UK GAAP £000	SII Movement £000
Deferred tax liabilities	128	128	0
Payables (trade, not insurance)	4,267	4,267	0
Any other liabilities	7,365	11,563	(4,198)
Total other liabilities	**11,760**	**15,958**	**(4,198)**

Valuation of other liabilities

Other liabilities have been valued according to the requirements of the Solvency II Directive and related guidance, at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

The valuation principles applied to these other liabilities under Solvency II are consistent with those used in the UK GAAP accounts, notably:

There is no difference to the valuation of either Payables or Any other liabilities between UK GAAP and Solvency II. The payables and any other liabilities balances are the amounts required to be paid to settle the obligations and are considered to be consistent with fair value.

The balances relating to B&CEFSL and CBH of £4,198k have been reclassified to Holdings in related undertakings.

E. CAPITAL MANAGEMENT

The Capital Management section of the report describes the internal operational structures/procedures underlying capital management within the Group. The Capital Plan is updated regularly if material change occurs to the Group risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

E.1 Own funds

The primary objective of the Group's capital management policies is to maintain economic and regulatory capital in accordance with risk appetite. The Group's capital and risk objectives are closely aligned, and support the Group business planning activities, whilst also recognising the critical importance of protecting customer interests.

The Board intends on maintaining surplus capital in excess of the SCR and holding an additional margin to absorb changes in both capital and regulatory requirements.

The Group undertakes an ORSA exercise at least annually, or whenever the risk profile of the Group changes. The ORSA exercise incorporates the business planning process which typically considers a five-year period. The ORSA process takes into account a number of scenarios to ensure that the Group will remain solvent under a range of foreseeable events.

The Group's capital requirements are forecast and compared against available capital on a regular basis. The Group is currently comfortably solvent, but in the event that forecast capital was insufficient, actions would be taken by the Board to either raise additional capital or reduce risk.

There have been no material changes to the objectives, policies or procedures with respect to the management of own funds during the year.

Eligible own funds

The Group classifies its own funds as tier 1, tier 2, or tier 3 depending on the characteristics of the capital.

The Group's own funds as at 31 March 2017 are summarised in the table below:

Own fund item	Tier	£000	%
Reconciliation reserve	1 - unrestricted	134,798	100.0
Total		**134,798**	**100.0%**

Tier 1 capital is the best form of capital for the purposes of absorbing losses due to it being high quality and permanent. Only the Group's Tier 1 own funds may be used towards meeting the MCR.

As at 31 March 2017, total available own funds to meet the SCR and the MCR are £134,798k, all of which is tier 1 - unrestricted. The eligible own funds over SCR ratio is 256% and the eligible own funds over MCR ratio is 1223%.

None of the Group's own funds are subject to transitional arrangements and the Group has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

The Group's own funds are not subject to capital fungibility restrictions, and are therefore available to absorb losses in their entirety.

Changes to own funds over the year

Own funds have increased by £11,719k, from £123,079k to £134,798k. Details of the movement from the unaudited 2016 figures can be seen in the table below:

Assets	2016 £000	2017 £000	Movement £000
Property, plant & equipment	4,142	6,400	2,258
Holdings in related undertakings	15,015	18,063	3,048
Equities	10,702	0	(10,702)
Bonds	55,002	0	(55,002)
Collective investments undertakings	19,714	101,001	81,287
Assets held for unit-linked contracts	459	547	88
Reinsurance recoverables – Other Life	15	15	0
Reinsurance recoverables – Life (unit-linked), before counterparty default adjustment	903,551	1,048,948	145,397
Counterparty default adjustment (1)	(587)	(629)	(42)
Insurance receivables	1,712	907	(805)
Receivables (trade, not insurance)	880	0	(880)
Cash and cash equivalents	12,488	3,276	(9,212)
Any other assets, not elsewhere shown	1,304	1,355	51
Total assets	**1,024,397**	**1,179,883**	**155,486**
Liabilities			
Technical provisions – Health (2)	923	460	(463)
Technical provisions – Other Life (3)	119	115	(4)
Technical provisions – Life (unit-linked) (4)	890,595	1,032,750	142,155
Deferred tax liabilities	152	128	(24)
Payables (trade, not insurance)	7,627	4,267	(3,360)
Any other liabilities, not elsewhere shown	1,902	7,365	5,463
Total liabilities	**901,318**	**1,045,085**	**143,767**
Excess of assets over liabilities	**123,079**	**134,798**	**11,719**

(1) Counterparty default adjustment

In accordance with Solvency II regulations, a counterparty default adjustment has been applied to the value of unit-linked assets (see section D.1.b of this report). This adjustment is calculated based on the probability of default of the counterparty (Managed Pension Funds, 'MPF'), and the loss incurred in the event of default.

The probability of default of MPF, determined based on its solvency ratio, has not changed over the year. The growth in the unit fund over the year means that loss in the event of default has increased. This has resulted in an increase in the absolute value of the counterparty default adjustment.

(2) Technical provisions – Health

The technical provisions in respect of RapidCash and Employer Accident Cover have decreased since over the year to 31 March 2017. The principal reason for this is the change in the implicit weight given to the early years of the experience in the calculation of the technical provisions. The early years are now believed to be out of line with more recent and future expected experience.

(3) Technical provisions – Other Life

The movement in the technical provisions in respect of the Term Assurance product is due to a reduction in the expected present value of future expenses.

(4) Technical provisions – Life (unit-linked)

The technical provisions in respect of EasyBuild have increased for two main reasons:

- unit BEL has increased over the period with investment income and premium income;
- the risk margin has increased over the period because it is based on the risk capital requirements for life underwriting risk and counterparty default risk; the growth in the unit funds over the year has resulted in increases in capital requirements, and hence an increase in the risk margin.

The increase in technical provisions has been partially offset by a reduction in the non-unit BEL, which has become more negative. This is due to strong unit fund growth over the year leading to an increase in expected future annual management charge ('AMC') income and therefore a reduction in the EasyBuild non-unit BEL.

Reconciliation to UK GAAP reserves to Solvency II excess of assets over liabilities

The following table provides a reconciliation of reserves under UK GAAP to Solvency II excess of assets over liabilities.

	£000
Opening UK GAAP reserves	**117,162**
Adjustments to Property, plant and equipment	1,790
Adjustments to Intangible fixed assets	(203)
Adjustments to technical provisions	16,049
SII excess of assets over liabilities	**134,798**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

B&CE Group applies the standard formula for the calculation of the Solvency Capital Requirement.

The capital requirement by risk module as at 31 March 2017 are presented in the table below:

Risk module	Capital requirement £000
Market risk	36,491
Counterparty default risk	16,943
Life underwriting risk	17,650
Health underwriting risk	926
Diversification	*(19,621)*
Basic Solvency Capital Requirement	52,389
Operational risk	194
Solvency Capital Requirement [1]	**52,584**

1.Apparent discrepancy due to rounding

The simplification set out in Article 96 of the commission delegated regulation 2015/35 for calculating the life catastrophe risk sub-module of the life underwriting risk module has been used for the calculation of the SCR for the B&CE Group. This simplification is not material.

B&CE Group has not used undertaking-specific parameters pursuant to Article 104(7) of Directive 2009/138/EC, or made use of the option provided for in the third subparagraph of Article 51(2) of Directive 2009/138/EC.

Minimum Capital Requirement

The table below shows the inputs used to calculate the Minimum Capital Requirement as at 31 March 2017.

	£000
Linear MCR	167
Solo SCR	44,085
MCR cap (45% of SCR)	19,838
MCR floor (25% of SCR)	11,021
Combined MCR	11,021
Absolute floor of the MCR (€6.2m)	5,583
Minimum Capital Requirement	**11,021**

The Linear MCR is calculated as prescribed in Article 249 of the commission delegated regulation 2015/35. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the solo SCR respectively, giving the Combined MCR. As at 31 March 2017 the Combined MCR has been set at the minimum level, i.e. equal to 25% of the solo SCR.

The absolute floor is prescribed by EIOPA in Euros (€6.2m for B&CE Group). The Minimum Capital Requirement is calculated as the higher of the Combined MCR and the absolute floor. For B&CE Group, the Combined MCR is higher.

Solvency ratio

The solvency position of the Group at year end was as follows:

Solvency	2017 £000	2016 £000
Solvency II Own Funds (A)	134,798	123,079
Solvency capital requirements (B)	52,584	44,787
Solvency II free assets (A – B)	82,214	78,292
Financial Strength Ratio (A / B)	**256%**	**275%**

The Financial Strength Ratio has fallen over the year but remains significantly in excess of the Board's stated minimum of 150%.

Non-compliance with the MCR and non-compliance with the SCR

There was no breach of the MCR or SCR during the reporting period.

Appendix A: Annual quantitative reporting templates

The following pages contain the QRTs listed below for the B&CE Group. All figures are presented in thousands of pounds with the exception of ratios which are in decimals.

QRT ref	QRT Template name
S.02.01.02	Balance sheet
S.05.01.02.01	Premiums, claims and expenses by line of business - Non-life
S.05.01.02.02	Premiums, claims and expenses by line of business - Life
S.23.01.22	Own funds
S.25.01.22	Solvency Capital Requirement - for undertakings on Standard Formula
S.32.01.22	Undertakings in the scope of the group

QRT S.02.01.02 Balance Sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	6,400
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	119,065
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	18,063
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	0
R0140	Government Bonds	0
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	101,001
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	547
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	1,048,333
R0280	Non-life and health similar to non-life	0
R0290	Non-life excluding health	0
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	15
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	15
R0340	Life index-linked and unit-linked	1,048,318
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	907
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	3,276
R0420	Any other assets, not elsewhere shown	1,355
R0500	**Total assets**	1,179,883
		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	461
R0520	Technical provisions – non-life (excluding health)	0
R0530	TP calculated as a whole	0
R0540	Best Estimate	0
R0550	Risk margin	0
R0560	Technical provisions - health (similar to non-life)	461
R0570	TP calculated as a whole	0
R0580	Best Estimate	387
R0590	Risk margin	74
R0600	Technical provisions - life (excluding index-linked and unit-linked)	115
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	115
R0660	TP calculated as a whole	0
R0670	Best Estimate	115
R0680	Risk margin	0
R0690	Technical provisions – index-linked and unit-linked	1,032,749
R0700	TP calculated as a whole	0
R0710	Best Estimate	1,013,416
R0720	Risk margin	19,333
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	128
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	4,267
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	7,365
R0900	**Total liabilities**	1,045,085
R1000	**Excess of assets over liabilities**	134,798

QRT S.05.01.02.01 Premiums, claims and expenses by line of business - Table 1

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		Total
		Income protection insurance	Workers' compensation insurance	
		C0020	C0030	C0200
	Premiums written			
R0110	Gross - Direct Business	489	704	1,193
R0120	Gross - Proportional reinsurance accepted	0	0	0
R0130	Gross - Non-proportional reinsurance accepted			0
R0140	Reinsurers' share	0	0	0
R0200	Net	489	704	1,193
	Premiums earned			
R0210	Gross - Direct Business	489	704	1,193
R0220	Gross - Proportional reinsurance accepted	0	0	0
R0230	Gross - Non-proportional reinsurance accepted			0
R0240	Reinsurers' share	0	0	0
R0300	Net	489	704	1,193
	Claims incurred			
R0310	Gross - Direct Business	80	174	254
R0320	Gross - Proportional reinsurance accepted	0	0	0
R0330	Gross - Non-proportional reinsurance accepted			0
R0340	Reinsurers' share	0	0	0
R0400	Net	80	174	254
	Changes in other technical provisions			
R0410	Gross - Direct Business	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0
R0430	Gross - Non- proportional reinsurance accepted			0
R0440	Reinsurers'share	0	0	0
R0500	Net	0	0	0
R0550	**Expenses incurred**	174	541	715
R1200	**Other expenses**			0
R1300	**Total expenses**			715

QRT S.05.01.02.02 Premiums, claims and expenses by line of business - Table 2

		Line of Business for: **life insurance obligations**		**Total**
		Index-linked and unit-linked insurance	Other life insurance	
		C0230	C0240	C0300
	Premiums written			
R1410	Gross	25,094	3	25,097
R1420	Reinsurers' share	25,006	3	25,009
R1500	Net	88	0	88
	Premiums earned			
R1510	Gross	25,094	3	25,097
R1520	Reinsurers' share	25,006	3	25,009
R1600	Net	88	0	88
	Claims incurred			
R1610	Gross	57,007	0	57,007
R1620	Reinsurers' share	57,007	0	57,007
R1700	Net	0	0	0
	Changes in other technical provisions			
R1710	Gross	145,484	-10	145,474
R1720	Reinsurers' share	145,396	0	145,396
R1800	Net	88	-10	78
R1900	**Expenses incurred**	5,810	18	5,828
R2500	**Other expenses**			0
R2600	**Total expenses**			5,828

	QRT S.23.01.22 Own Funds	Total	Tier 1 - unrestrict	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	Non-available called but not paid in ordinary share capital at group level	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	Non-available subordinated mutual member accounts at group level	0		0	0	0
R0070	Surplus funds	0	0			
R0080	Non-available surplus funds at group level	0	0			
R0090	Preference shares	0		0	0	0
R0100	Non-available preference shares at group level	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0120	Non-available share premium account related to preference shares at group level	0		0	0	0
R0130	Reconciliation reserve	134,798	134,798			
R0140	Subordinated liabilities	0		0	0	0
R0150	Non-available subordinated liabilities at group level	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	The amount equal to the value of net deferred tax assets not available at the group level	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	Non available own funds related to other own funds items approved by supervisory authority	0	0	0	0	0
R0200	Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
R0210	Non-available minority interests at group level	0	0	0	0	0
	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	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	0				
	Deductions					
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	0	0	0	0	
R0240	whereof deducted according to art 228 of the Directive 2009/138/EC	0	0	0	0	
R0250	Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
R0260	Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
R0270	Total of non-available own fund items	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	134,798	134,798	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0380	Non available ancillary own funds at group level	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	0	0	0	0	
R0420	Institutions for occupational retirement provision	0	0	0	0	0
R0430	Non regulated entities carrying out financial activities	0	0	0	0	
R0440	Total own funds of other financial sectors	0	0	0	0	
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
R0460	Own funds aggregated when using the D&A and a combination of method net of IGT	0	0	0	0	0
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	134,798	134,798	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	134,798	134,798	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	134,798	134,798	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR	134,798	134,798	0	0	
	Consolidated Group SCR					
R0610	**Minimum consolidated Group SCR**	11,021				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**					
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	12.2307				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	134,798	134,798	0	0	0
R0670	**SCR for entities included with D&A method**					
R0680	**Group SCR**	52,584				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	2.5635				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	134,798
R0710	Own shares (held directly and indirectly)	0
R0720	Forseeable dividends, distributions and charges	0
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	0
R0760	**Reconciliation reserve before deduction for participations**	134,798
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

QRT S.25.01.22 Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	36,491		
R0020	Counterparty default risk	16,943		
R0030	Life underwriting risk	17,650		
R0040	Health underwriting risk	926		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-19,621		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	52,389		

CHM	**Calculation of Solvency Capital Requirement**	C0100
R0130	Operational risk	194
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	52,584
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	52,584
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	11,021
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	0
R0520	Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	0
R0530	Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D and A	0
R0570	**Solvency capital requirement**	52,584

QRT S.32.01.22 Undertakings in the scope of the group

C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800RXIILVL7GEC6L94	LEI	B&CE Holdings Limited	5	Insurance Holding Company	2								1		1
GB	213800YSPE5VPOYZWV78	LEI	B & C E Insurance Limited	4	Composite undertaking	2	Prudential Regulation Authority	1.0000	1.0000	1.0000		1	1.0000	1		1
GB	213800YRN7B3VWF9CZ24	LEI	B & C E Financial Services Limited	99	Other	2		1.0000	1.0000	1.0000		1	1.0000	1		1
GB	213800TB5WXDQW6M52	LEI	Constructing Better Health	99	Other	2		1.0000	1.0000	1.0000		1	1.0000	1		1
GB	213800WPRHTGN2VRC84	LEI	Building and Civil Engineering Benefits Scheme Trustee Limited	99	Other	2				1.0000		1	1.0000	1		1

Appendix B Annual quantitative reporting templates - Company

The following pages contain the QRTs listed below for B&CE Insurance Limited. All figures are presented in thousands of pounds with the exception of ratios which are in decimals.

QRT ref	QRT Template name
S.02.01.02	Balance sheet – Company
S.05.01.02.01	Premiums, claims and expenses by line of business - Non-life – Company
S.05.01.02.02	Premiums, claims and expenses by line of business – Life - Company
S.12.01.02	Life and health SLT technical provisions – Company
S.17.01.02	Non-life technical provisions – Company
S.19.01.21	Non-life insurance claims information – Company
S.23.01.01	Own funds - Company
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula – Company
S.28.02.01	Minimal capital requirement – both life and non-life insurance activity

QRT S.02.01.02 Balance Sheet - Company

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	73,117
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	0
R0140	Government Bonds	0
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	73,117
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	547
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	1,048,333
R0280	Non-life and health similar to non-life	0
R0290	Non-life excluding health	0
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	15
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	15
R0340	Life index-linked and unit-linked	1,048,318
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	907
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,027
R0420	Any other assets, not elsewhere shown	33
R0500	**Total assets**	1,123,964

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	460
R0520	Technical provisions – non-life (excluding health)	0
R0530	TP calculated as a whole	0
R0540	Best Estimate	0
R0550	Risk margin	0
R0560	Technical provisions - health (similar to non-life)	460
R0570	TP calculated as a whole	0
R0580	Best Estimate	386
R0590	Risk margin	74
R0600	Technical provisions - life (excluding index-linked and unit-linked)	115
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	115
R0660	TP calculated as a whole	0
R0670	Best Estimate	115
R0680	Risk margin	0
R0690	Technical provisions – index-linked and unit-linked	1,032,749
R0700	TP calculated as a whole	0
R0710	Best Estimate	1,013,416
R0720	Risk margin	19,333
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	128
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	3,362
R0900	**Total liabilities**	1,036,814
R1000	**Excess of assets over liabilities**	87,150

QRT S.05.01.02.01 Premiums, claims and expenses by line of business - Company - Table 1

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		Total
		Income protection insurance	Workers' compensation insurance	
		C0020	C0030	C0200
	Premiums written			
R0110	Gross - Direct Business	489	704	1,193
R0120	Gross - Proportional reinsurance accepted	0	0	0
R0130	Gross - Non-proportional reinsurance accepted			0
R0140	Reinsurers' share	0	0	0
R0200	Net	489	704	1,193
	Premiums earned			
R0210	Gross - Direct Business	489	704	1,193
R0220	Gross - Proportional reinsurance accepted	0	0	0
R0230	Gross - Non-proportional reinsurance accepted			0
R0240	Reinsurers' share	0	0	0
R0300	Net	489	704	1,193
	Claims incurred			
R0310	Gross - Direct Business	80	174	254
R0320	Gross - Proportional reinsurance accepted	0	0	0
R0330	Gross - Non-proportional reinsurance accepted			0
R0340	Reinsurers' share	0	0	0
R0400	Net	80	174	254
	Changes in other technical provisions			
R0410	Gross - Direct Business	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0
R0430	Gross - Non- proportional reinsurance accepted			0
R0440	Reinsurers'share	0	0	0
R0500	Net	0	0	0
R0550	**Expenses incurred**	174	541	715
R1200	**Other expenses**			0
R1300	**Total expenses**			715

QRT S.05.01.02.02 Premiums, claims and expenses by line of business - Company - Table 2

		Line of Business for: **life insurance**		**Total**
		Index-linked and unit-linked insurance	Other life insurance	
		C0230	C0240	C0300
	Premiums written			
R1410	Gross	25,094	3	25,097
R1420	Reinsurers' share	25,006	3	25,009
R1500	Net	88	0	88
	Premiums earned			
R1510	Gross	25,094	3	25,097
R1520	Reinsurers' share	25,006	3	25,009
R1600	Net	88	0	88
	Claims incurred			
R1610	Gross	57,007	0	57,007
R1620	Reinsurers' share	57,007	0	57,007
R1700	Net	0	0	0
	Changes in other technical provisions			
R1710	Gross	145,484	-10	145,474
R1720	Reinsurers' share	145,396	0	145,396
R1800	Net	88	-10	78
R1900	**Expenses incurred**	5,810	18	5,828
R2500	**Other expenses**			0
R2600	**Total expenses**			5,828

QRT S.12.01.02 Life and Health SLT technical provisions - Company

		Index-linked and unit-linked		Other life insurance		**Total (Life other than health insurance, including Unit-Linked)**	**Total (Health similar to life insurance)**
			Contracts without options and guarantees		Contracts without options and guarantees		
		C0030	C0040	C0060	C0070	C0150	C0210
R0010	**Technical provisions calculated as a whole**	0		0		0	0
R0020	**Total Recoverables from reinsurance/SPV and Finite Re** after the adjustment for expected losses due to counterparty default associated to TP as a whole	0		0		0	0
	Technical provisions calculated as a sum of BE and RM						
	Best Estimate						
R0030	**Gross Best Estimate**		1,013,416		115	1,013,531	0
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		1,048,318		15	1,048,333	0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re - total		-34,902		100	-34,802	0
R0100	**Risk Margin**	19,333		0		19,333	0
	Amount of the transitional on Technical Provisions						
R0110	Technical Provisions calculated as a whole	0		0		0	0
R0120	Best estimate		0		0	0	0
R0130	Risk margin	0		0		0	0
R0200	**Technical provisions - total**	1,032,749		115		1,032,864	0

QRT S.17.01.02 Non-Life technical provisions - Company

		Direct business and		
		Income protection insurance	Workers' compensation insurance	Total Non-Life obligation
		C0030	C0040	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0
	Technical provisions calculated as a sum of BE and RM			
	Best estimate			
	Premium provisions			
R0060	Gross	3	5	8
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0
R0150	Net Best Estimate of Premium Provisions	3	5	8
	Claims provisions			
R0160	Gross	57	322	379
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0
R0250	Net Best Estimate of Claims Provisions	57	322	379
R0260	**Total Best estimate - gross**	60	327	387
R0270	**Total Best estimate - net**	60	327	387
R0280	**Risk margin**	0	74	74
	Amount of the transitional on Technical Provisions			
R0290	Technical Provisions calculated as a whole	0	0	0
R0300	Best estimate	0	0	0
R0310	Risk margin	0	0	0
	Technical provisions - total			
R0320	Technical provisions - total	60	401	461
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	60	401	461

QRT S.19.01.21 Non-life insurance claims information - Company

Total Non-Life Business

Z0010	Accident year / Underwriting year	**Z0010**	Accident year [AY]

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	**Prior**												0	0
R0160	**N-9**	289,900	50,300	0	0	0	0	0	0				0	340,200
R0170	**N-8**	276,250	42,100	0	0	0	0	0	0				0	318,350
R0180	**N-7**	186,500	36,700	0	0	0	0	0	0				0	223,200
R0190	**N-6**	204,400	134,600	52,800	6,100	9,000	9,000	0					0	415,900
R0200	**N-5**	214,400	108,000	67,000	0	0	0						0	389,400
R0210	**N-4**	92,750	90,000	15,000	9,000	0							0	206,750
R0220	**N-3**	105,200	83,800	48,000	0								0	237,000
R0230	**N-2**	131,700	60,400	15,000									15,000	207,100
R0240	**N-1**	59,600	34,900										34,900	94,500
R0250	**N**	82,400											82,400	82,400
R0260												**Total**	132,300	2,514,800

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	**Prior**												
R0160	**N-9**												
R0170	**N-8**												
R0180	**N-7**												
R0190	**N-6**												
R0200	**N-5**												
R0210	**N-4**												
R0220	**N-3**				5,265								5,154
R0230	**N-2**			63,545									62,706
R0240	**N-1**		144,537										143,567
R0250	**N**	213,346											212,959
R0260												**Total**	424,386

QRT S.23.01.01 Own funds - Company

		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					
R0010	Ordinary share capital (gross of own shares)	60,000	60,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	11,037	11,037			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	16,113	16,113			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	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	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	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	
R0290	**Total basic own funds after deductions**	87,150	87,150	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	87,150	87,150	0	0	0
R0510	Total available own funds to meet the MCR	87,150	87,150	0	0	
R0540	Total eligible own funds to meet the SCR	87,150	87,150	0	0	0
R0550	Total eligible own funds to meet the MCR	87,150	87,150	0	0	
R0580	**SCR**	44,085				
R0600	**MCR**	11,021				
R0620	**Ratio of Eligible own funds to SCR**	2				
R0640	**Ratio of Eligible own funds to MCR**	8				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	87,150
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	71,037
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	16,113
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

QRT S.25.01.22 Solvency Capital Requirement - for undertakings on Standard Formula - Company

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
R0010	Market risk	27,126		
R0020	Counterparty default risk	15,936		
R0030	Life underwriting risk	17,650		
R0040	Health underwriting risk	926		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-17,747		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	43,891		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	194
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	44,085
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	44,085
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

QRT S.28.02.01 Minimum Capital Requirement - both life and non-life insurance activity - Company

		Non-life activities	Life activities
		MCR(NL,NL) Result	MCR(NL,L)Result
		C0010	C0020
R0010	**Linear formula component for non-life insurance and reinsurance obligations**	137	0

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
R0020	Medical expenses insurance and proportional reinsurance	0	0	0	0
R0030	Income protection insurance and proportional reinsurance	59	489	0	0
R0040	Workers' compensation insurance and proportional reinsurance	327	704	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0	0	0
R0060	Other motor insurance and proportional reinsurance	0	0	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0	0	0
R0090	General liability insurance and proportional reinsurance	0	0	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0	0	0
R0120	Assistance and proportional reinsurance	0	0	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0	0	0
R0140	Non-proportional health reinsurance	0	0	0	0
R0150	Non-proportional casualty reinsurance	0	0	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0	0	0
R0170	Non-proportional property reinsurance	0	0	0	0

		Non-life activities	Life activities
		MCR(L,NL) Result	MCR(L,L) Result
		C0070	C0080
R0200	**Linear formula component for life insurance and reinsurance obligations**	0	30

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
R0210	Obligations with profit participation - guaranteed benefits	0		0	
R0220	Obligations with profit participation - future discretionary benefits	0		0	
R0230	Index-linked and unit-linked insurance obligations	0		0	
R0240	Other life (re)insurance and health (re)insurance obligations	0		100	
R0250	Total capital at risk for all life (re)insurance obligations		0		39,283

	Overall MCR calculation	C0130
R0300	Linear MCR	167
R0310	SCR	44,085
R0320	MCR cap	19,838
R0330	MCR floor	11,021
R0340	Combined MCR	11,021
R0350	Absolute floor of the MCR	5,583

		C0130
R0400	**Minimum Capital Requirement**	11,021

	Notional non-life and life MCR calculation	Non-life activities	Life activities
		C0140	C0150
R0500	Notional linear MCR	137	30
R0510	Notional SCR excluding add-on (annual or latest calculation)	36,166	7,919
R0520	Notional MCR cap	16,275	3,564
R0530	Notional MCR floor	9,042	1,980
R0540	Notional Combined MCR	9,042	1,980
R0550	Absolute floor of the notional MCR	2,251	3,332
R0560	Notional MCR	9,042	3,332

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