B&CE

B&CE Group

Solvency and Financial Condition Report as at 31 March 2020

For people, not profit

Contents

Statement of Directors' responsibilities

The Directors of B & C E Insurance Limited are responsible for preparing the B&CE Group Solvency and Financial Condition Report (SFCR) and reporting templates in accordance with the Prudential Regulatory Authority (PRA) rules and Solvency II (SII) regulations as at 31 March 2020.

We can confirm that:

1. The Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA rules and Solvency II regulations

2. We are satisfied that:
    a. throughout the financial year in question, the B&CE Group has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as applicable at the level of the B&CE Group
    b. it is reasonable to believe that, at the date of the publication of the SFCR, the B&CE Group has continued to comply, and will continue to comply in the future.

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

Jane Dunlop
Company Secretary
27 August 2020

Introduction

The requirement to produce a SFCR follows the introduction of Solvency II, a framework which was implemented on 1 January 2016 as the capital adequacy scheme for the European insurance industry. Solvency II has established a set of EU-wide capital requirements and risk management standards with the aim of increasing protection for policyholders.

This SFCR for the B&CE Group (B&CE or the Group) is based on the financial position as at 31 March 2020. It has been prepared to enable you to assess the financial position of the Group.

The list of entities included within the Group for Solvency II purposes is shown on page 9. The Group's financial year runs to 31 March each year and its results are reported in GBP (Pound Sterling).

This report presents information on the business and performance of the 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 these matters is the Group's Board of Directors (the 'Board'), with the help of various governance functions 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, a copy of which can be found at www.bandce.co.uk/about-us/how-we-work/financial-reports.

Executive summary

Business and performance summary

We offer simple financial products to our members. Today, we're best known for The People's Pension, a successful master trust pension scheme for any company, of any size, in any industry. Our heritage goes right back to 1942, when we were launched to help construction workers build up holiday pay, and we've been supporting our members ever since.

As at 31 March 2020, we had almost 6.2 million members across all products and schemes, including The People's Pension and our legacy products, offered or managed by B&CE. And we had assets under management of over £9.2bn, including £8.3bn within The People's Pension.

Principal activities

The Group administers The People's Pension (the Scheme) and other financial products. The Scheme is an award-winning master trust pension that is growing rapidly by volume of assets and number of members. The Group expects the Scheme to continue growing and delivering a rising income stream to B&CE over the long run.

For growth, the £8.3bn (2019: £6.2bn) of assets managed by The People's Pension at the year-end shows a significant increase throughout the year, despite a reduction in the first quarter of 2020 as COVID-19 generated high levels of stock market volatility.

The Group's Solvency II capital requirement coverage target for the year was 150% (2019: 150%) and we exceeded this with actual coverage of 750% (2019: 317%). In addition, there is a new capital requirement for the Group, which is not related to Solvency II, to hold at least £20m in cash and cash equivalents as part of the master trust authorisation of The People's Pension.

Business update

EasyBuild closure

In March 2020, the Group successfully completed its plans to close the EasyBuild stakeholder pension scheme, with the overwhelming majority of this scheme's members being transferred to The People's Pension. Those who didn't transfer to The People's Pension in March 2020 had either claimed on their policy or transferred their funds to another scheme of their choice during the year.

The People's Pension

Our flagship product achieved master trust authorisation by The Pensions Regulator, a major step forward and something we have long sought for the sector as a whole. The Scheme continued to grow both its membership, which rose 14% from 4.4m to 5.0m, and its assets under management, up 34% from £6.2bn to £8.3bn. The latter was partly boosted by the mandatory increase in contribution rates from 5% to 8% in April 2019 and partly by solid, long-term investment growth which includes a period of remarkable volatility in investment markets generated by the COVID-19 pandemic.

We have also acted to give back to members by making changes to the fee on The People's Pension – announcing it during the financial year but actioning it just after it ended. We've created and launched a new charging structure, comprising a standard management charge, a fixed annual fee and a rebate on a portion of that management charge. More information can be found on The People's Pension website https://thepeoplespension.co.uk/member-management-charge/. We believe this offers

value to members, better incentivises long-term saving and responds to the challenging economic environment.

As assets under management grow, we remain confident the administration fee received by B&CE Financial Services Limited will continue to increase. Furthermore, as part of the master trust authorisation process, there are now additional capital requirements, not related to Solvency II, placed on the Group.

Legacy schemes

Like many firms, we have a number of old products with declining membership. These can be found on our website. Since the year-end, B&CE Insurance Limited has started the process to close its RapidCash and Personal Accident Insurance products, which it expects to complete during 2020/21 and which is not expected to have a material impact on the services provided to members by the Group.

Overall, our legacy schemes still serve 1.1 million members (2019: 1.2 million).

Restructuring

In October 2019, the Group implemented a planned restructure of many of its departments, with a view to creating greater operational efficiencies in order to better serve members over the longer term. This resulted in 41 employees (namely 6.4% of the workforce at the time) departing the Group.

COVID-19

This unprecedented situation, and the economic and market volatility it created, necessitated significant action. We reallocated resource to enable us to prioritise key financial transactions, member communications and support for vulnerable members, while deprioritising some other aspects of member support. The most notable impact on the Group is a reduction in administration fees from The People's Pension, which is based on the assets under management that have decreased in value.

Future developments

The biggest short to medium-term impact on the Group is the economic impact of the COVID-19 pandemic. As a Group, B&CE has responded as outlined above and also by making the significant decision of withdrawing from the occupational health market, which will impact two subsidiary undertakings.

Following the year-end, B&CE Insurance Limited started the process to close its RapidCash and Personal Accident Insurance products. It is expected these products will be closed during 2020. The impact these closures will have on the Group will be a reduction in the capital requirements without significantly impacting premiums received, the majority of which are received for Employee Accident Cover.

We'll also continue to invest in our digital capabilities. We've been upgrading our existing infrastructure and resilience, such as in the controls around member transactions to ensure continued compliance with master trust authorisation, and we're also seeking to make member interactions smoother and easier with new telephony. Master trust authorisation means that the Group is now required to hold cash and cash equivalents of £20m each day and confirm this to the Trustee of the Scheme on a regular basis.

The UK's departure from the European Union, although accompanied by economic uncertainty, is not expected to have a material impact on the Group – given that it's domiciled in the UK serving UK-based customers.

Financial review

The consolidated loss for the year was £25.6m (2019: £15.6m). The Group expects the future income from The People's Pension to be sufficient to meet this additional expenditure in the coming periods and aims to be close to break-even in the next financial year.

The main variances compared to last year are as follows:

- Revenue for the year increased to £39.5m (2019: £30.5m):
    - Management fees totalled £37m for the year (2019: £27.1m). This increase was due to income from The People's Pension increasing significantly during the year given the growth in the assets under management.
    - Revenue from the insurance business decreased slightly to £1.0m (2019: £1.1m).
    - Miscellaneous net income decreased to £1.4m (2019: £2.3m) primarily due to £0.7m less in sign-up fees as fewer employers signed up to use The People's Pension.
- Net operating expenses increased to £57.7m (2019: £48.9m):
    - The main contributor to the increase was an increase in the costs of operating The People's Pension, which are borne by B&CE Financial Services Limited as the appointed administrator of the Scheme. An administration fee is levied in respect of this service – although, to date, the fee has been significantly lower than the costs incurred which is the main driver for recent losses. As the assets managed by The People's Pension continue to grow (and therefore our administration fees), combined with recent management actions, we are expecting to be close to break-even in the coming financial year.
    - Furthermore, a provision of £1.2m for contract termination costs has been included.
- An impairment of intangible assets of £9.9m relating to the Group's digital infrastructure was made during the year. This reflected the fact that there was no longer a value following the close-down of a development project.
- Gains from financial instruments totalled £1.9m (2019: £2.2m).

System of governance summary

The Board of Directors has oversight of the management of the Group. A major focus of the Board continues to be maintaining high standards of corporate governance, which the Board seeks to achieve through the Group's governance structure.

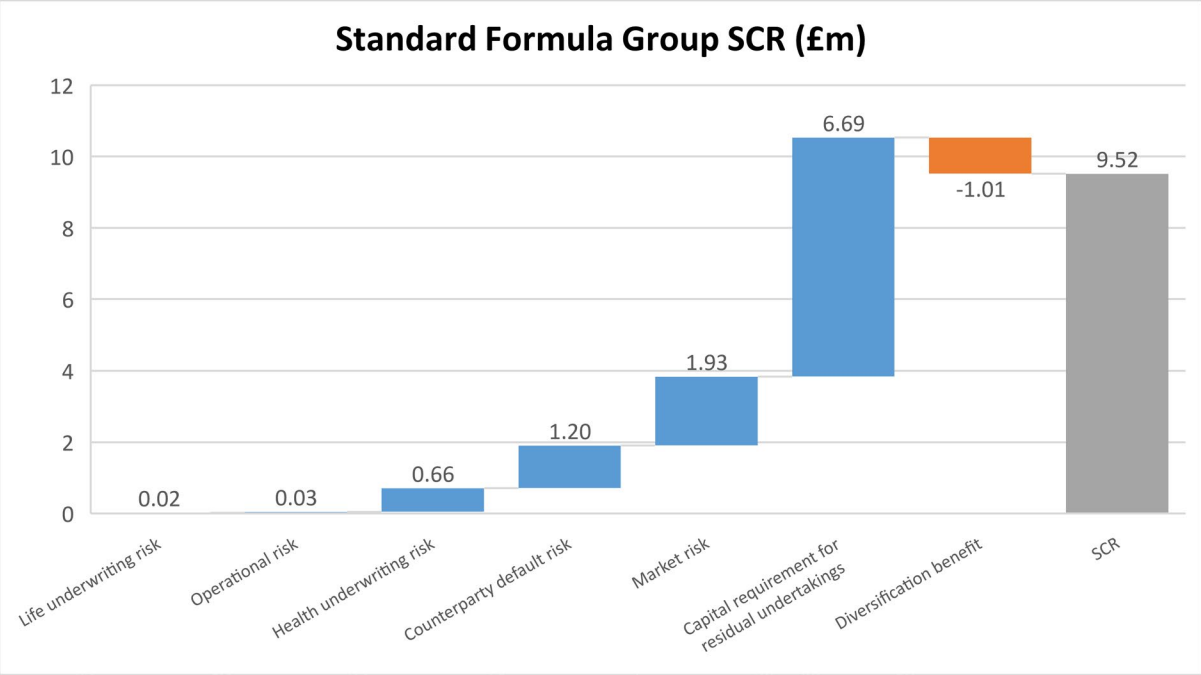
The Board has established a risk management model that separates the Group's risk management responsibilities into a 'three lines of defence' governance model that aims to ensure risk management is effective, appropriate decisions are made and best practise is implemented and maintained.

Section B of this report has full information on the Group's system of governance.

Risk profile summary

The following chart shows the Group's Solvency Capital Requirement (SCR) of £9.52m (2019: £19.8m).

The reduction in SCR over the year has been driven by i) the transfer of the remaining EasyBuild business to The People's Pension and ii) the decision to de-risk the investment portfolio resulting in a greater proportion of the Group's investments being held in cash and other short-term, fixed interest assets.



Insurance risk (a combination of life and health underwriting risk) is the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and reserving assumptions. Insurance risk includes fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the Group at the time of underwriting.

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

Counterparty default risk is the risk that a counterparty to a financial instrument will default on its obligations thereby causing financial loss to the Group.

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

Additional capital is held to meet the Solvency II requirements for the related entities in the Group.

A diversification benefit is applied to reduce the size of the SCR based on the expected correlation between the different risks that the Group is exposed to. The lower the correlation between the risks (ie the lower the probability of them happening at the same time), the larger the diversification benefit.

Section C of this report has more information on the Group's risk profile.

Valuation for Solvency II purposes summary

The Group is required to hold sufficient assets to cover its policyholders' liabilities and the Group's capital requirement. Indeed, it is a primary responsibility of the Board to ensure that the Group's capital can adequately cover the required capital 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 has deemed a solvency ratio of at least 150% to be within risk appetite. The Board believes a minimum level of solvency of 150% to be appropriate given the stable and relatively low-risk nature of the Group's insurance business, all of which is provided through B&CEIL.

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

The Solvency II balance sheets as at 31 March 2020 and 31 March 2019 were:

Assets	2020 £000	2019 £000	Movement £000
Property, plant and equipment	6,550	6,550	-
Holdings in related undertakings	30,352	35,431	(5,079)
Collective investment undertakings	40,590	46,771	(6,181)
Assets held for unit-linked contracts	-	38	(38)
Reinsurance recoverables - Other Life	15	15	-
Reinsurance recoverables - Life (unit-linked)	-	4,960	(4,960)
Counterparty default adjustment	-	(3)	3
Insurance receivables	6	3	3
Cash and cash equivalents	4,263	5,280	(1,017)
Any other assets, not elsewhere shown	3,965	1,204	2,761
Total assets [1]	**85,741**	**100,248**	**(14,507)**
Liabilities			
Technical provisions - Health	346	228	118
Technical provisions - Other Life	233	189	44
Technical provisions - Life (unit-linked)	-	18,956	(18,956)
Provisions other than technical provisions	900	10,000	(9,100)
Deferred tax liabilities	59	77	(18)
Payables (trade, not insurance)	4,893	2,374	2,519
Any other liabilities, not elsewhere shown	7,916	5,592	2,324
Total liabilities	**14,347**	**37,416**	**(23,069)**
Excess of assets over liabilities	**71,394**	**62,832**	**8,562**

1. Apparent discrepancy due to rounding

Section D of this report has more information on the Group's valuation for Solvency II purposes.

Capital management summary

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's business planning activities, whilst also recognising the critical importance of protecting member interests.

The SCR coverage ratio was as follows:

Solvency	2020 £000	2019 £000
Solvency II Own Funds (A)	71,394	62,832
Solvency capital requirements (B)	9,519	19,814
Solvency II free assets (A – B)	61,875	43,018
Financial Strength Ratio (A / B)	**750%**	**317%**

The Financial Strength Ratio has increased as the Solvency II Own Funds have increased by £9m as shown in section D1 and the Solvency Capital Requirement has decreased by £9m as shown in section C.7 following the de-risking of the investment portfolio, the transfer to The People's Pension of the remaining EasyBuild stakeholder pension scheme's members and the reduction in the non-insurance liability held in respect of the Letter of Guarantee.

A. Business and performance

This section provides information on the Group's business structure, key operations, market position and financial performance.

A.1 Business information

Company information

The following undertakings are covered by the scope of this report.

Company name	Company registration number
B&CE Holdings Limited (B&CEHL)	00377361
People's Financial Services Limited (PFSL)	10267951
B&CE Insurance Limited (B&CEIL)	03093365
B&CE Financial Services Limited (B&CEFSL)	02207140
People's Administration Services Limited (dormant) (PASL)	10267769
People's Health Limited (PHL)	11125993
People's Insurance Limited (dormant) (PIL)	12459648
Constructing Better Health (CBH)	05086859
People's Partnership Limited (dormant) (PPL)	11480869
Building and Civil Engineering Benefits Scheme Trustee Limited (dormant) (B&CEBSTL)	01201576
The People's Pension Trustee Limited (dormant) (TPPTL)	08089267

The 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:

https://www.bankofengland.co.uk/contact

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

External auditor

The Group's external auditor is KPMG LLP, Chartered Accountants and Statutory Auditor (registered address: 15 Canada Square, London E14 5GL).

Holders of qualifying holdings

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 the Union – 4 seats
- GMB – 1 seat
- Build UK – 1 seat
- Civil Engineering Contractors Association – 1 seat
- Federation of Master Builders – 1 seat
- National Federation of Builders – 1 seat
- Scottish Building Federation – 1 seat

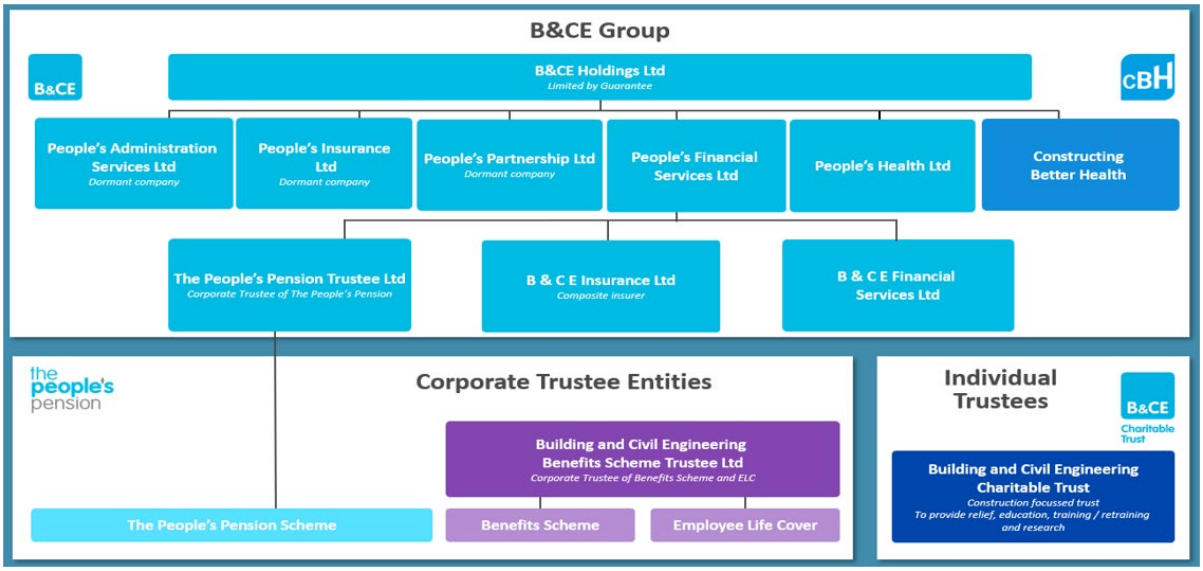
Legal structure of the Group

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

B&CEHL has five direct wholly owned subsidiaries (PASL, PIL, PPL, PFSL and PHL) and three indirect wholly owned subsidiaries, B&CEIL, B&CEFSL and The People's Pension Trustees Limited. B&CEHL is also the sole member of one limited by guarantee company, CBH. The Group structure has PFSL as the intermediate holding company of B&CEIL and B&CEFSL to improve oversight of our Money (financial services) products.

B&CEBSTL is a limited by guarantee company and is not owned or controlled by B&CEHL. It does, however, have the same Directors as B&CEHL and as such falls within the scope of the Group for Solvency II reporting purposes.

The below chart outlines the Group structure as at 31 March 2020.



The below table shows each Group entity ownership and principal activities.

Group entity	Ownership	Principal activities	Ownership
B&CEHL	This is the parent company for the Group.	The holding company for the Group.	100%
PASL	This is a wholly owned subsidiary of B&CEHL.	It is a dormant company.	100%
PIL	This is a wholly owned subsidiary of B&CEHL.	It is a dormant company.	100%
PPL	This is a wholly owned subsidiary of B&CEHL.	It is a dormant company.	100%
PFSL	This is an intermediate holding company for B&CEIL, B&CEFSL and TPPTL. It is a wholly owned subsidiary of B&CEHL.	It provides strategic guidance regarding the nature of the financial products and services within the Group and formulates and approves all financial services strategies for the Group.	100%
PHL	This is a wholly owned subsidiary of B&CEHL.	The company was established to provide a new health-at-work management scheme for the construction industry and will cease trading on 30 August 2020 following the Group's withdrawal from the occupational health market.	100%
B&CEIL	This is a wholly owned subsidiary of PFSL.	The company is a United Kingdom (UK) regulated entity that carries out general and long-term insurance business.	100%
B&CEFSL	This is a wholly owned subsidiary of PFSL.	It acts as a distributor of and an administrator for pensions, accident and death insurance and a range of financial welfare products.	100%

Group entity	Ownership	Principal activities	Ownership
CBH	This is 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, which will cease trading on 30 August 2020 following the Group's withdrawal from the occupational health market.	100%
B&CEBSTL	This is a company limited by guarantee controlled by its members, who are representatives from the construction industry.	B&CEBSTL is the dormant corporate trustee of the industry's occupational retirement, death and accident benefit schemes.	0%
TPPTL	This is a wholly owned subsidiary of PFS. TPPTL directors are not affiliated with the construction industry representative entities or any of the companies within the B&CE Group.	TPPTL is a dormant corporate trustee of The People's Pension scheme, an authorised master trust.	100%

Note: All entities are incorporated and domiciled in the United Kingdom

Lines of business and geographical areas

The Group offers several financial services products. The following table describes each product and outlines which entity in the Group operates the product. All business is carried out in the United Kingdom.

Product	Description	Entity	Open to new policyholders / members
EasyBuild	A stakeholder defined contribution pension scheme, which is now fully closed.	Insurer: B&CEIL Administrator: B&CEFSL	No (Closed in March 2020)
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 Principal employer: PFSL Administrator: B&CEFSL	**Yes**
Employee Accident Cover from B&CE	Employee Accident Cover from B&CE is a group accident insurance policy designed to meet the needs of construction employers wishing to provide their employees with accident cover.	Insurer: B&CEIL Administrator: B&CEFSL	**Yes**
Employee Life Cover from B&CE	Employee Life Cover from B&CE provides life cover to employees of those employers who participate in that scheme, which is an industry-wide benefit scheme established under trust. It's a group death benefit only, occupational pension scheme.	Trustee: B&CEBSTL Founder: B&CEHL Administrator: B&CEFSL	**Yes**
Life Insurance Protection (also referred to previously as Term Assurance)	A life assurance policy designed specifically for the construction industry which is closed to new members.	Insurer: B&CEIL Administrator: B&CEFSL	No
RapidCash Injury Insurance	A personal injury insurance product, which is expected to close in September 2020.	Insurer: B&CEIL Administrator: B&CEFSL	No
Personal Accident	Personal Accident was set up to offer a low-cost insurance policy for the construction industry. RapidCash replaced the Personal Accident Insurance Scheme in 1997. It is expected to close in the next 12 months.	Insurer: B&CEIL Administrator: B&CEFSL	No
TUTMAN B&CE Contracted-out pension scheme	An authorised unit trust and personal plan, for which the B&CEFSL are the registrar.	Manager: Thesis Unit Trust Management Limited* Sponsor: B&CEFSL Registrar and Administrator: B&CEFSL	No

Product	Description	Entity	Open to new policyholders / members
Building and Civil Engineering Benefits Scheme	A multi-employer defined benefit occupational pension scheme.	Trustee: B&CEBSTL Founder: B&CEHL Administrator: B&CEFSL	No
CBH	An occupational health scheme aimed at construction employers, which will cease trading on 30 August 2020 following the Group's withdrawal from the occupational health market.	Scheme operated by: CBH	**Yes**

* Note: Thesis Unit Trust Management Limited is a third-party company specialising in the management of unit trust schemes and is not a B&CE company.

Significant business and other events

As noted in the Executive Summary section the following events have occurred over the reporting period that have had a material impact on the Group.

EasyBuild closure

In March 2020, the Group successfully completed its plans to close the EasyBuild stakeholder pension scheme, with the overwhelming majority of this scheme's members being transferred to The People's Pension. Those who didn't transfer to The People's Pension in March 2020 had either claimed on their policy or transferred their funds to another scheme of their choice during the year.

Closure of RapidCash and Personal Accident

Following the year-end, B&CE Insurance Limited started the process to close its RapidCash and Personal Accident Insurance products. It is expected these products will be closed during 2020. The impact these closures will have on the Group will be a reduction in the capital requirements without significantly impacting premiums received, the majority of which are received for Employee Accident Cover.

COVID-19

This unprecedented situation, and the economic and market volatility it created, necessitated significant action. We reallocated resource to enable us to prioritise key financial transactions, member communications and support for vulnerable members, while deprioritising some other aspects of member support. The most notable impact on the Group is the reduction in administration fees from The People's Pension, which is based on the assets under management that have decreased in value.

The biggest short to medium-term impact on the Company is the economic impact of the COVID-19 pandemic. As a Group, B&CE has responded as outlined above and also by making the significant decision of withdrawing from the occupational health market which will impact two subsidiary undertakings.

Review of B&CE Group own assets

During the year, a large proportion of the Group's own investments were moved into cash to de-risk the investment portfolio exposure to market risk. This meant that the Group has limited direct exposure to the significant equity movements caused by COVID-19.

Restructuring

In October 2019, the Group implemented a planned restructure of many of its departments, with a view to creating greater operational efficiencies to better serve members over the longer term. This resulted in 41 employees (namely 6.4% of the workforce at the time) departing the Group.

Brexit

The UK's departure from the European Union, although accompanied by economic uncertainty, is not expected to have a material impact on the Company – given it's a UK-domiciled entity serving UK-based customers.

A.2 Underwriting performance

The Group now only writes the non-life lines of insurance business (RapidCash, Personal Accident and Employee Accident Cover) through B&CEIL. B&CEIL's Life Insurance Protection product is in run-off with only a handful of policies remaining.

In March 2020, the B&CEIL successfully completed its plans to close the EasyBuild stakeholder pension scheme, with the overwhelming majority of this scheme's members being transferred to The People's Pension. Those who didn't transfer to The People's Pension in March 2020 had either claimed on their policy or transferred their funds to another scheme of their choice during the year. This closure has significantly reduced the Group's insurance activities and there are currently no plans to introduce any new lines of insurance business.

The remaining insurance products are currently stable or in decline in terms of premium levels and policyholders.

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 EasyBuild, which was a contract arrangement).

During the year, the Group produced an underwriting surplus of £0.3m for long-term insurance business and £0.2m for general insurance business.

Long-term business for the year ended 31 March 2020

	2020	2019
Earned premiums, net of reinsurance	**£000**	£000
Gross premiums written	**2**	2
Outward reinsurance premiums	**(2)**	(2)
	-	-
Investment income	**803**	584
Unrealised gains on investments	**-**	650
Other technical income, net of reinsurance	**29**	47
	832	1,281
Claims incurred		
Gross claims paid	**(3)**	-
Change in other technical provisions, net of reinsurance		
Long-term business provision	**39**	-
Other technical provisions net of reinsurance		
Technical provisions for linked liabilities – gross amount	**89**	(217)
Technical provisions for linked liabilities – reinsurers' share	**(79)**	217
	10	-
	49	-
Net operating expenses	**(479)**	(662)
Investment expenses and charges	**-**	(1)
Tax attributable to the long-term business	**(86)**	(117)
Balance on the long-term business technical account	**313**	501

The main driver for the reduction in the underwriting surplus compared to 2019 was that there were no unrealised gains on investments due to the Company's decision to sell the majority of its equity-based investments during the year. This has been offset slightly by an increase in investment income.

General business for the year ended 31 March 2020

	2020	2019
	£000	£000
Earned premiums		
Gross premiums written	**1,026**	1,085
Change in the gross provision for unearned premiums	**(43)**	-
	983	1,085
Claims incurred		
Gross claims paid	**(213)**	(405)
Gross change in the provision for claims	**(38)**	118
	(251)	(287)
Net operating expenses	**(502)**	(401)
Balance on the general business technical account	**230**	397

The main drivers for the decrease in the balance on the general business account for 2020 was an increase in net operating expenses. RapidCash premiums continued to fall by 8%, which was anticipated as it is no longer actively promoted. Employee Accident Cover premiums also decreased by 4% due to a slight decrease in membership at the year-end.

A.3 Investment performance

The Group's focus on workplace pension scheme management means that delivering investment performance for clients is a key performance criterion. Positive investment performance of our pension assets is passed on to members through an 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) 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 the Group investments. The Board has an Investment Committee and details of this Committee are given in section B. The Board has appointed an investment adviser who attends all Investment Committee meetings and provides formal advice for all material changes to investment strategies. The Group also has an in-house investment team, led by the Chief Investment Officer, which continues to expand in line with the growing funds managed by the Group.

The Group's investment management policy requires that 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 Group entity has its own investment objectives for the Group investments which it holds. The current objectives are listed in the table below:

Group 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	Invest prudently to protect capital, having due regard to the implications of capital adequacy.
B&CEFSL	Ensure enough cash is held to cover the costs of operating for at least 18 months. For the remainder, preserve capital in real terms.

Group entities not listed in the table above have no material investment portfolios.

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

Component	LGIM Funds	Objective and description
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.

Component	LGIM Funds	Objective and description
Money market	Sterling Liquidity Fund	The fund aims to offer access to liquidity whilst providing capital stability. The investment objective of the fund is to provide diversified exposure and a competitive return in relation to 7 Day LIBID. Performance may be shown relative to this rate, but the fund does not specifically target this performance objective.

Asset allocations

As at 31 March 2020, the Group investments managed by LGIM were invested in the following asset classes (with prior year comparatives included within brackets):

Group entity	Low risk multi-asset	Short dated corporate bonds	Cash	Total
B&CEIL long-term fund	£0.0m N/A% (£17.2m) (100%)	-	-	£0.0m (£17.2m)
B&CEIL general fund	£0.0m N/A% (£10.7m) (65%)	£2.4m 42% (£2.4m) (15%)	£3.3m 58% (£3.3m) (20%)	£5.7m (£16.4m)
B&CEFSL	£0.0m N/A% (£20.0m) (100%)	-	-	£0.0m (£20.0m)

The table above does not include any of the Group's holdings in short-term highly liquid investments, such as the externally managed collective investment undertakings, or in cash held at the bank which are held for day-to-day liquidity.

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 2020 £000	Net investment returns 2019 £000
LGIM Funds				
Mixed Investment 0-35%	457	1,475	1,932	2,240
Short Dated Sterling Corporate Bond Index Fund	51	(62)	(11)	5
Cash Trust	-	22	22	21
Cash	265	-	265	54
Total	**773**	**1,435**	**2,208**	**2,320**

Investment performance over the year was dominated by the impact of the Coronavirus outbreak. Many global stock markets were at or around their highest levels in the middle of February before the magnitude of the sudden hit to the global economy became apparent.

The first quarter of 2020 was a very challenging period as markets suffered from the negative and uncertain effect this outbreak would have on economic activity. As the infection spread outside Asia, it became clearer there would be a sharp fall in global economic activity. Governments and central banks across the world acted swiftly to take measures to mitigate some of the worst immediate impacts on households and companies.

B&CE's balance sheet was insulated from the worst of the impact as a result of the sale of the Mixed Investment holdings in the latter half of 2019.

Securitisation

The Group holds no direct investments in securitisations as at 31 March 2020 and indirectly held £nil (2019: £nil) 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	2020	Movement	2019
EasyBuild	-	(1,460)	1,460
The People's Pension	4,976,329	535,645	4,440,684
Employee Accident Cover	126,883	(2,616)	129,499
Employee Life Cover	126,883	(2,616)	129,499
TUTMAN B&CE Contracted-out pension scheme	5,360	(459)	5,819
Building and Civil Engineering Benefits Scheme	1,078,108	(9,391)	1,087,499
RapidCash	1,458	(127)	1,585
Personal Accident	59	(7)	66
CBH	25,535	(19,561)	45,096
Life Insurance Protection	7	(1)	8

As seen in the table above, the main movement in membership and policyholders was for The People's Pension. The growth within The People's Pension is attributable to new employers continuing to join the scheme and existing employers adding new employees.

In the year ended 31 March 2020, the Group made a loss totalling £25.6m (2019: £15.6m). 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 2020 for the Group.

	2020 £000	2019 £000
Revenue	**39,492**	30,534
Net operating expenses	**(57,709)**	(48,874)
Impairment of intangible assets	**(9,919)**	-
Gains from financial instruments	**1,880**	2,194
Loss before interest and taxation	**(26,256)**	(16,146)
Finance income	**265**	309
Loss before taxation	**(25,991)**	(15,837)
Tax credit on loss	**390**	257
Loss for the financial year	**(25,601)**	(15,580)

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

- Revenue for the year increased to £39.5m (2019: £30.5m):
  - Management fees totalled £37m for the year (2019: £27.1m). This increase was due to income from The People's Pension increasing significantly during the year given the growth in the assets under management.
  - Revenue from the insurance business decreased slightly to £1.0m (2019: £1.1m).
  - Miscellaneous net income decreased to £1.4m (2019: £2.3m) primarily due to £0.7m less in sign-up fees as fewer employers signed up to use The People's Pension.
- Net operating expenses increased to £57.7m (2019: £48.9m):
  - The main contributor to the increase was an increase in the costs of operating The People's Pension, which are borne by B&CE Financial Services Limited as the appointed administrator of the Scheme. An administration fee is levied in respect of this service – although, to date, the fee has been significantly lower than the costs incurred which is the main driver for recent losses. As the assets managed by The People's Pension continue to grow (and therefore our administration fees), combined with recent management actions, we are expecting to be close to break-even in the coming financial year.
  - Furthermore, a provision of £1.2m for contract termination costs has been included.
- An impairment of intangible assets of £9.9m relating to the Company's digital infrastructure was made during the year. This reflected the fact that there was no longer a value following the close-down of a development project.
- Gains from financial instruments totalled £1.9m (2019: £2.2m).

Own funds for Solvency II purposes increased from £62.8m to £71.4m. The overall solvency position of the Group is set out in more detail in section E of this report.

Lease arrangements

At 31 March 2020, the Group had annual commitments in respect of non-cancellable operating leases. The operating lease expense for the financial year amounted to £782k. The Group is committed to payments in 2020/21 which are expected to be £769k.

The total of future minimum lease payments under non-cancellable operating leases on land and buildings are £2,965k. This includes a lease we signed in December 2018 on a new second site, which we have occupied from April 2019.

A.5 Any other information

In November 2019, B&CEIL approved a capital reduction of £25m that was actioned in December 2019. This was carried out in anticipation of the transfer of EasyBuild members to The People's Pension, which reduced the capital requirements of B&CEIL. In November 2019, B&CEIL approved a £25m dividend to PFSL and, subsequently, in December 2019 PFSL partially repaid £25m of its intercompany loan from B&CEHSL.

B. System of governance

This section provides information regarding the system of governance of the Group.

B.1 General information on the system of governance

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
- compliance with the system of governance requirements.

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 Chair. 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 B&CEHL Board, Executive Directors and Independent Non-Executive Directors with financial services expertise who are not affiliated with either construction federations or trade unions.

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

Board objectives

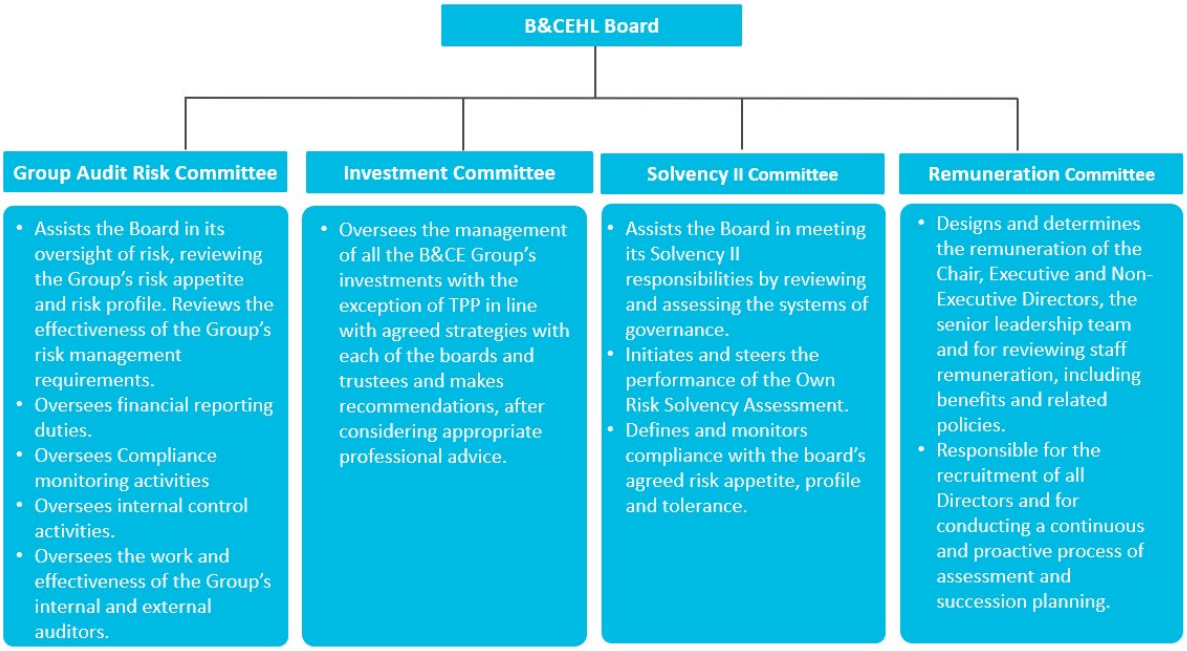
- To set and oversee an effective business strategy. The Boards bring objectivity and judgement to the strategic planning process and ultimately approve, on an annual basis, the strategic plan.
- To ensure risk is properly monitored and managed. This has been delegated to the Group Audit and Risk Committee (GARC) and includes establishment and oversight of risk appetite, a risk management framework and internal controls framework. GARC regularly reports to the Board on the proceedings of the committee.
- 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

The Board has established four committees, which enable it to effectively discharge its governance responsibilities. While the Board has delegated the overview of certain specific aspects of the business to the committees for which the committees are accountable and provide regular reporting to the Board, the Board retains ultimate responsibility for the business.

Each committee operates under its own Terms of Reference which define their full roles and responsibilities. The current Group committee structure is set out below:

Figure 1.



The Group Audit and Risk Committee

The GARC assists 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 appointed by the Board and is chaired by an Independent Non-Executive Director. GARC meetings are also attended, as required, by the B&CE senior management, including the Chief Executive Officer, the Chief Finance Officer, the Group Director of Business Assurance, the Chief Operating Officer and the Head of Internal Audit. KPMG LLP, as auditor for the Group, also has an open invitation to all meetings of the GARC.

The Investment Committee

The Investment Committee's duties and responsibilities are primarily to monitor the Group's investment holdings and to ensure that the agreed investment strategies are being followed. The Investment Committee also makes recommendations to the Board on a range of investment matters, upon considering appropriate professional advice.

This Committee currently consists of five Non-Executive Directors including the Chair of the B&CEHL Board. The Chief Executive Officer, the Chief Investment Officer and Chief Finance Officer attend the meetings of this Committee.

The Solvency II Committee

The Solvency II Committee's main aim is to assist the Board in meeting its Solvency II responsibilities by reviewing and assessing the system of governance; initiating and steering the performance of an Own Risk and Solvency Assessment (ORSA) process.

This Committee consists of five Non-Executive Directors, one of whom is the Chair of the B&CEHL Board. The Chief Executive Officer, Chief Finance Officer and Group Director of Business Assurance attend the meetings of this Committee.

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 four Non-Executive Directors and is chaired by the Chair of the B&CEHL Board. The Chief Executive Officer and the Group Director of People also attend the meetings of this Committee.

Internal Governance Groups

The Executive Committee has the responsibility to oversee all aspects of the business plan and has established internal governance groups to ensure there is a balanced focus on the running of the business, delivery of the change programmes and setting the strategic direction of the business.

The following committees report into the Executive Committee:

- The Executive Risk Committee has responsibility for interpreting and overseeing the implementation of new governance and regulatory requirements. It has a responsibility to identify emerging risks and oversee the implementation of risk mitigation plans for the Group.
- The Executive Investment Committee has responsibility for overseeing proposals for investment changes and ensuring a high quality of investment activity in respect of relevant products within the group. It is also responsible for managing high-level risks associated with the management of investments and ensuring the investment strategy is consistent with the risk appetite set by the B&CE Group.
- The Change Committee has responsibility for the delivery and monitoring of the strategic objectives from the business plan.
- The Run Committee has responsibility for overseeing delivery against the operational business plan objectives and ensuring high standards of customer service are maintained.
- The Development Committee has responsibility for setting and developing the future vision of all lines of business and driving the innovation agenda.

Key functions

The system of governance includes the Risk, Compliance, Actuarial and Internal Audit functions. These are fulfilled internally apart from the Actuarial function, which is outsourced to Deloitte MCS Limited (Deloitte). The main roles and responsibilities for these functions are set out later in this section.

Material changes

During the year, a new internal governance group, the Executive Investment Committee was set up as detailed above, with its first committee meeting in March 2020. The Business Assurance Leadership Group was renamed to the Executive Risk Committee.

No other material changes have occurred to the system of governance during the reporting period.

Remuneration, employee benefits and practices

The Group provides a range of benefits to employees, including enhanced paid holiday arrangements, a medical cash-back plan, and other non-monetary benefits, defined benefit 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 staff is fair, sufficiently competitive to attract and retain talented people, and aligned to the interests of customers and the long-term sustainability of the business.

The aim is to ensure that salaries are broadly aligned with similar roles in the market. Base salaries are benchmarked against comparable organisations (financial services and other employers in the region etc) and our reward strategy is to benchmark to the market median point. Effective from June 2019, blanket cost of living increases for all employees were stopped, and instead pay increases calculated based on individual performance and position in a pay band were established to establish a clear link between pay and performance.

The remuneration components are balanced 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 are considered by the Remuneration and Nominations Committee and are triggered by the delivery of Company targets and calculated in relation to achievement of personal objectives.

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 Group defined benefit pension scheme closed to new entrants in January 2014.

Non-executive members of the Board receive a fixed fee. Non-executive 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 non-executive 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 or supervisory body.

B.2 Fit and proper requirements

The Group ensures that people in leadership or other key positions are sufficiently competent to do so. This is based on the professional qualifications, expertise and experience of the individuals in the following areas:

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

The Group undertakes a wide range of personal and professional checks on its employees when they join and annually where appropriate.

The Group has a policy and a procedure to meet the regulatory requirements for Fit and Proper Persons. These controls ensure that all those in senior management functions, key function holders, key function performers and certification functions:

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

The Board will consider during its assessment of an approved person their 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, based on 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.

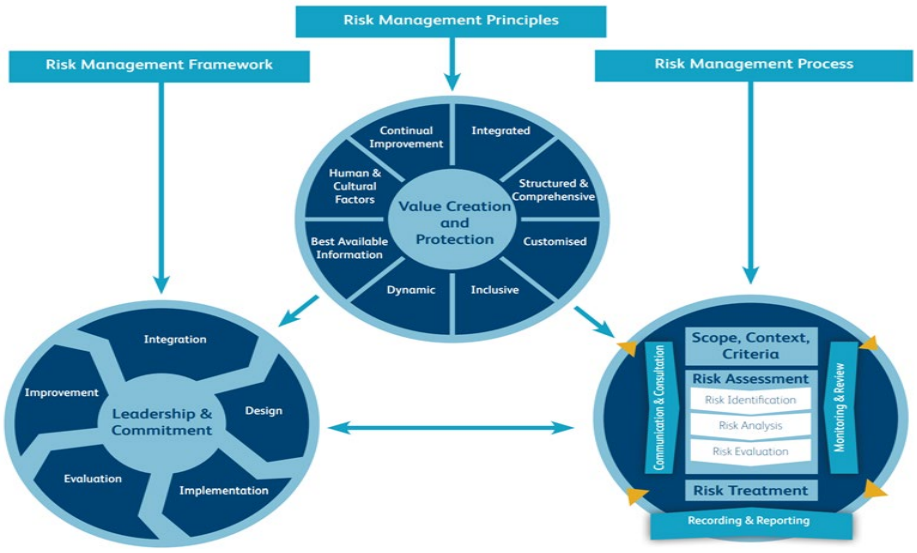
The Group's policy requires the ongoing monitoring of fitness and propriety. This includes a review of ongoing adherence to the conduct standards and continual professional development in annual reviews. The policy requires individuals who are performing a key function to complete a questionnaire self-assessment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

The primary mechanism for tracking ongoing competency is the Group's performance management process. This includes monitoring of an approved person's individual financial soundness.

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

The Group maintains an enterprise risk management framework (ERMF), setting out how risk management operates throughout the Group and how it's linked to risk appetite and risk policies, the strategy, the business and solvency and capital management. The key objective of the ERMF is to ensure that the Group has a comprehensive approach to identify, assess, manage, monitor and report risk at all levels. The Group's ERMF enables the continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions. Risk appetite, stress testing and the identification of emerging risks are integral to the framework. The principles, framework and process are illustrated in figure 2 below.

Figure 2.



The Board sets and monitors adherence to our strategy, risk appetite and risk framework. The Group has established an ongoing process for assessing the principal risks facing the group and monitoring the effectiveness of the Group's risk management systems.

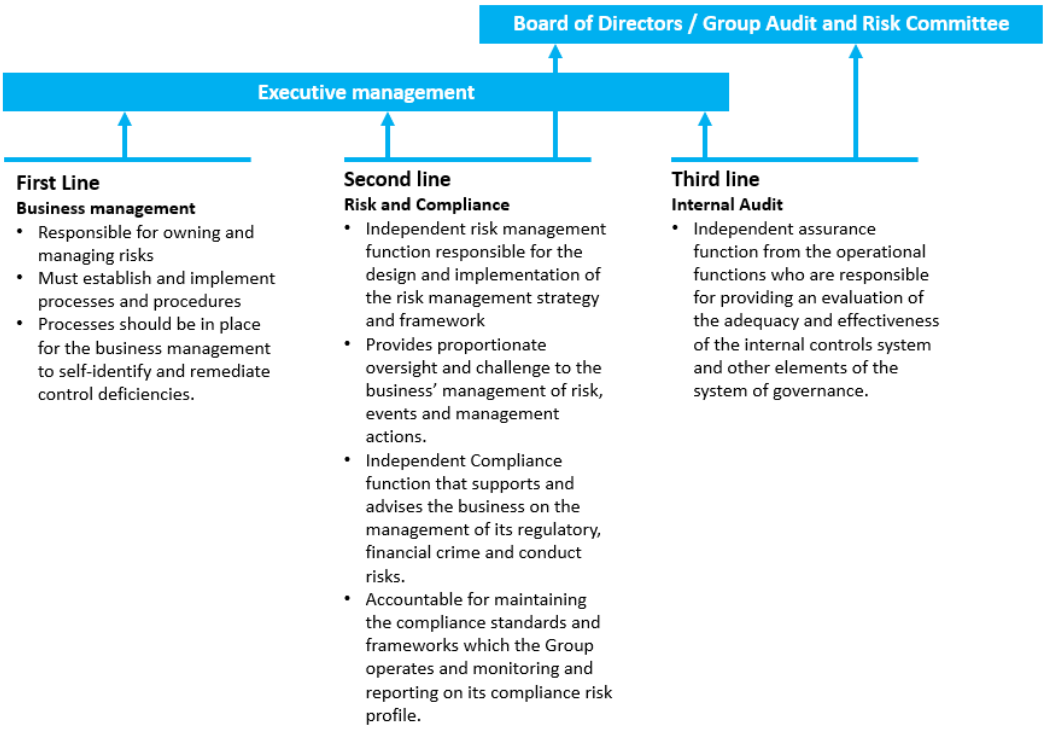
The Group's risk governance framework and ownership structure ensures oversight of, and accountability for, the effective management of risk.

The GARC delegates authority for risk management to the Chief Executive Officer, who delegates to the members of the Executive Committee. The Group Director of Business Assurance chairs the Executive Risk Committee, who has accountability for providing risk oversight.

Three lines of defence

The Group has a risk management model that separates the risk management responsibilities into a 'three lines of defence' governance model as illustrated in figure 3 below.

Figure 3.



Risk management process

The risk management process enables the Group to manage risk in a structured and consistent way and is summarised below.

Stage	Explanation
Identify	The Group has a team of experts in the risk function who sit down with leaders and managers regularly to understand the risks they face and what they're doing to avoid or address those risks. Identification of current and emerging risks, including those presented in change programmes, which could impact the achievement of business strategic objectives.
Assess	Assessment of risks on an inherent and current basis in terms of likelihood and impact of occurrence. Assessments are made using quantitative or qualitative measures which facilitates a consistent sizing and categorisation of risk.
Manage	Management of current risk exposure within risk appetite through the implementation of mitigating actions. Action plans are used to ensure residual risk exposure is maintained at, or brought back within, risk appetite, to address control weaknesses or manage remediation (if necessary) following an event.

Stage	Explanation
Monitor	All risks are mapped to a risk category to support effect monitoring and reporting. The use of key risk indicators ensures management actions are being delivered.
Report	Regular reporting of the risk profile and progress of action plans. Escalation of notable changes to risk profiles to relevant committees and GARC.

Risk management objectives

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.

Our risk objectives are shown below:

Risk objective	Risk appetite statement
Overriding Group risk objective	The Group recognises that its long-term sustainability depends on having enough capital to meet its liabilities as they fall due, protecting its reputation and the integrity of its relationship with members and other stakeholders. As part of this, the Group has appetite for market and insurance risk to enable and assist it to undertake its primary activity of providing pensions.
Maintain capital adequacy	The Group seeks to maintain a minimum Financial Strength Ratio of 150% for B&CEIL and the Group as a whole.
Maintain a stable and efficient capital management	The Group aims to exceed both planned and unexpected cash flow requirements that arise following a 1 in 200 years insurance, market or credit risk event.
Protect the interests of the Group and members	The Group has no appetite for risks resulting in reputational damage, regulatory or legal breach, poor customer outcomes, fines or prosecutions and other types of non-budgeted operational losses associated with the Group's conduct and activities. The Group will maintain a robust and proportionate internal control environment.
Comply with legal and regulatory requirements	The Group has no appetite for breaches of legislative or regulatory requirements resulting in non-compliance with legal or regulatory requirements. We seek to operate to high ethical standards.

The risk appetite statements define the risks the Group is prepared to accept in pursuit of achieving its strategic objectives. These statements are supported by key risk indicators and key performance indicators designed to provide an early warning that appetite may be breached without management action being taken.

Regular leadership meetings and committee meetings take place to monitor limits and implement remedial actions as required. A record is maintained of appropriate management actions that have been taken to mitigate the effects of 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 appetite during the year.

Risk profile

In this context the Group defines the risk profile as a complete view of all possible risk types that each of the entities may face. This means the Group has a clear and complete view of all the types of risks that could potentially have an impact on the Group.

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

The Group's unit-linked pension contracts do not include any financial options or investment guarantees. The Group writes short-term protection business, although new business volumes are low. It has a legacy Life Insurance Protection contract which is closed to new business.

Capital is generated primarily by the retained earnings of the Group and is expected to flourish when the income from The People's Pension starts to exceed the administration costs incurred by the Group.

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

Own Risk and Solvency Assessment

The ORSA is a central component of the ERMF and the key internal processes undertaken to determine the Own funds necessary to ensure that the Group's overall solvency needs are always met. 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. These processes are reviewed periodically throughout the year at various governance committees enabling frequent decision making.

The ORSA is facilitated by the risk team and supported by subject matter experts across the business including actuarial, compliance and finance. Outcomes of the ORSA are taken into consideration by the Executive Committee.

The ORSA report is presented to the Board for challenge and approved annually, which is consistent with the stable nature of the Group's capital needs over time. The conclusions from the report are taken into consideration in assessing the Group's risk and capital profile related to the strategic plan. The agreed outcomes and conclusions of the ORSA are approved by the Board.

The ORSA report is used to explain the current and forecasted capital and solvency position of the Group throughout the strategic period. Sometimes interim ORSAs may be created if specific triggers occur during the reporting period.

The ORSA process includes:

- A review of business plans, 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 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, several stress and scenario tests are selected by the Board to understand how sensitive the Group's 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, opportunities are noted, and conclusions drawn. The key conclusions from the ORSA process are summarised in the 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 process.

B.4 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 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.

Compliance function

The Compliance function is responsible for:

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

The Compliance function comprises a full-time team of compliance professionals lead by the Head of Regulatory Compliance and Product Assurance. It is a second-line function reporting into the Group Director of Business Assurance. The Compliance function produces an annual plan in consultation with the risk and internal audit function. Delivery of this plan, findings from monitoring activity and remediation of those findings are overseen by the Executive Risk Committee on behalf of the Executive Committee.

Risk function

The Risk function is responsible for:

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

Both functions are independent of the operational functions 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 Group Director of Business Assurance 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 the Head of Regulatory and Product Assurance.

Each key function provides regular reports to the GARC and Board as well as attending committee and Board meetings.

B.5 Internal audit function

The Internal Audit function helps and supports the Board and Executive Committee in their aim to achieve strategic and operational objectives, protect the reputation and the sustainability of the Group and discharge their corporate governance responsibilities. Internal Audit achieves this by:

- Providing assurance to the Board as to whether risk management processes and controls established by management are adequate and effective to manage key business risks by developing and operating a risk-based internal audit cycle
- Assessing whether all significant risks are identified by management and the risk function and are reported to the Board and the Executive Committee
- Monitoring and reporting on the adequacy of risk controls, acting independently from the operational functions as the third line of defence

It operates in accordance with the Internal Standards for the Professional Practice of Internal Auditing and is independent of operational functions. To both preserve and reinforce its independence and objectivity, the primary reporting line for internal audit is to the Chair of the GARC who is an Independent Non-Executive Director. The GARC is responsible for the appointment and removal of the Head of Internal Audit. The Group Director of Business Assurance sets objectives for the Head of Internal Audit and the GARC agree the internal audit plan. The Head of Internal Audit communicates and interacts directly with the Chair of GARC and with members of the Committee in between Committee meetings or where escalation is required.

The Head of Internal Audit maintains a reporting line to the Group Director of Business Assurance, to report on the outcome of audit activity, assessment on the control environment and for day-to-day administrative purposes, although these administrative purposes do not include any matters that could influence the internal audit function in delivering its mandate.

It is imperative that the internal audit function acts as an independent, objective assurance and consulting function. The function constitutes an integral element of the Group's control framework. It does not hold any executive responsibilities or accountability for risk management or systems of internal control, other than to appraise their effectiveness through being exempt from undertaking any executive or operational duties or any activity that may impair the internal audit function's judgement.

The Head of Internal Audit confirms to the GARC, at least annually, the organisational independence of the function.

B.6 Actuarial function

B&CE appoints an external Chief Actuary and actuarial function. The primary responsibilities and activities of the function are to:

- Coordinate and oversee 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
- Contribute to the effective implementation of the risk-management system (referred to in Conditions Governing Business 3), with respect to the risk modelling underlying the calculation of the SCR, the MCR and to the Group's ORSA

The Actuarial function maintains a reporting line into the Chief Finance Officer to ensure an effective co-ordination for the calculation of technical provisions. To preserve the independence in carrying out their activities, the Chief Actuary reports to the Insurance Board, to which they have independent and direct access. The Chief Actuary produces reports which are submitted to the Board at least annually. The reports provide the opinions of the reliability and adequacy of the calculation of the technical provisions, a view on the underwriting policy and adequacy of reinsurance arrangements.

B.7 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. An outsourcing 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 any 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 material 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	Group Director of Business Operations	UK
Deloitte MCS Ltd	Actuarial function	Chief Finance Officer	UK
OAC plc	Actuarial services – general insurance	Chief Finance Officer	UK

Name of provider	Service outsourced	Relationship owner	Jurisdiction
Hymans Robertson LLP	Administration and actuarial services	Chief Finance Officer	UK
LGIM	Investment management	Chief Investment Officer	UK
SSGA	Investment management	Chief Investment Officer	UK
Barnett Waddingham LLP	Investment advice	Chief Investment Officer	UK
Cameron McKenna Nabarro Olswang LLP	Legal advice	Group Director of Business Assurance	UK

B.8 Any other information

Assessment of the adequacy of the Group's system of governance

The Board is responsible for ensuring there is an appropriate system of governance in operation throughout the Group. This includes a robust system of internal controls and a sound risk management framework.

The Board has established a risk management model that separates the Group's risk management responsibilities into three lines of defence. An explanation of these responsibilities can be found in the earlier pages of this section.

During the year, the Board approved the 2019 Own Risk and Solvency Assessment (ORSA) following detailed review and challenge to management by the Solvency II Committee. The ORSA reports contain additional information including an assessment of non-quantifiable risks, appropriateness of the standard formula, technical provisions and the outcomes of stress and scenario tests and reverse stress tests.

The Group undertakes a Risk and Control Certification process on a regular basis, in which each business area conducts a review of the effectiveness of its risk management and internal controls system.

Our external auditor undertook an audit of the Group for the 12 months ended 31 March 2020. The audit report was reviewed by the GARC in July 2020 before the Group's 2020 Annual report and financial statements were approved shortly thereafter. As part of the year end process the GARC noted that following the review, no issues have been identified that could be considered to represent:

- material fraud or irregularities
- material systemic control weaknesses or breakdown
- no evidence of repeat occurrence of material issues.

The Group has identified certain material risks as being applicable to the Group, for example as referred to in the ORSA and summarised in the Group's 2020 Annual report and financial statements and robustly assesses these material risks. The Board sets and monitors adherence to the risk strategy, risk appetite and risk framework. Within this overall context, the Board has over time approved a system of governance which includes the Matters Reserved to the Board, the Board Committee's terms of reference, risk appetite statements, ERMF and Group policies.

The Group continuously monitors the effectiveness and adequacy of its system of governance and believes it to be operating effectively. There has been no need for specific changes to the system of governance as a result of the COVID-19 pandemic. This is because the system of governance is designed to be robust to significant external events. During the COVID-19 pandemic, there has been continued involvement and input from the Board, including the non-executive directors.

C. Risk profile

This section of the report captures the overall risk status of the Group, considering all the 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
- risk sensitivity.

The risk management process outlined in section B aims to enable the Group to manage risk in a structured and consistent way and to ensure the continued effectiveness of the Group's risk mitigation techniques.

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.

Prudence is evidenced in the manner through which investment strategies are developed, implemented and monitored and in the guidance provided by the Investment Committee and Board.

The investment function is responsible for ensuring that the Group only invests in assets and instruments where the risks can be properly identified, measured, monitored, managed and reported in accordance with the investment policy. 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 assisted by the Group's professional advisers.

Assets are invested in a prudent manner and subject to ongoing monitoring and oversight, this includes:

- Limiting investments in assets not admitted to trading on a regulated financial market
- Diversifying exposure across a variety of asset classes, geographic regions and issuers
- Measuring and monitoring risk exposure on a quarterly basis
- Reviewing the performance of all investments held against market conditions, strategic benchmarks and investment guidelines set by the Group
- Reviewing the investment objectives of each entity within the Group to ensure the investment strategy remains appropriate

Risk mitigation techniques

All material risks to which the Group is exposed 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 managing all risks within the Group:

Treatment	Actions required
Risk tolerance	The Group will have considered all other management techniques to reduce the impact and/or likelihood of the risk and may proceed to accept the current level of risk in line with agreed risk appetite.
Risk treatment	The Group where possible will take actions to reduce the impact of a risk.
Risk transfer	The Group outsources several 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 and sensitivity of various scenarios on the capital position of the group. These are completed as part of the ORSA process. Overall, the 2019 ORSA exercise concluded that under severe financial scenarios, the Group remained well capitalised with capital more than the SCR. The 2020 ORSA exercise at the time of this report is currently being finalised.

C.1 Underwriting risk

This is the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and reserving assumptions. Insurance risk includes fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the Group at the time of underwriting.

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
  - Mortality risk – the risk of loss from higher than expected mortality
- **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 majority of the life underwriting risk exposure was previously for the EasyBuild product, while the health underwriting risk is through the Employer Accident Cover, RapidCash and Personal Accident products.

The Group monitors and controls underwriting risks through a range of processes:

- The Life Insurance Protection product is reinsured under a 90% quota share agreement with Swiss Re. This reinsurance arrangement and the fact that Life Insurance Protection is in run-off means that the Group's exposure to mortality risk is negligible.

The overall diversified Solvency Capital Requirement for the life underwriting module at 31 March 2020 was £0.02m (£0.02m undiversified). The requirement for underwriting risk has decreased over the reporting period by £3.5m. This is due to the transfer out of the EasyBuild stakeholder pension scheme. The overall diversified Solvency Capital Requirement for the health underwriting module at 31 March 2020 was £0.7m (£0.8m undiversified).

C.2 Market risk

This 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 a fall in equity markets

  A fall in equity markets would impact the following:

  - The surplus of the staff defined benefit pension scheme; the consequence of this on the 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 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 staff defined benefit pension scheme; the consequence of this on the 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 to repair the scheme's funding position

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

- **Spread risk –** the risk of changes in the value of assets or liabilities to changes in the level or volatility of credit spreads over the risk-free interest rate.

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

- **Concentration risk** – the risk arising from large investments in individual counterparties or single name exposures.

  The Group has exposure through the LGIM pooled funds and the fees due to B&CESFL by The People's Pension.

- **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, which decreased significantly during the year
    - the staff defined benefit pension scheme; the consequence of this on the 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 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

Market risk is one of the Group's greatest areas of risk exposure although its size has reduced significantly over the year to 31 March 2020. This is due to the transfer of EasyBuild out of B&CEIL and the de-risking of the Group's investment assets.

The Group monitors and controls market risk through a range of processes:

- 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 has an in-house investment team led by the Chief Investment Officer
- 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 reviews to ensure they are adhering to agreed policies

The overall diversified Solvency Capital Requirement for the market risk module at 31 March 2020 was £1.9m (£2.7m undiversified).

There was a significant reduction in the SCR requirement for market risk during the reporting period following the transfer of EasyBuild out of B&CEIL and the de-risking of the Group's investment assets.

C.3 Credit risk

This is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

The Group has credit risk predominantly in the following area:

- Counterparty default – The risk that a counterparty to a financial instrument will default on its obligations thereby causing financial loss to the Group

For the Group, the most significant counterparty exposure is through several cash at bank holdings held as liquid assets within the Group. There is also exposure to credit risk through the staff defined benefit pension scheme. Moreover, The People's Pension is the largest customer and trade receivable of B&CEFSL.

The Group monitors counterparty risk through a range of processes:

- Where reinsured liabilities are below £10m, the S&P credit rating must be A- or better
- The Board sets credit rating limits and regularly reviews the credit ratings of counterparties
- Administration fees from The People's Pension are collected monthly in arrears shortly after each month-end which mitigates credit risk to an acceptable level
- The Group performs stress tests and identifies management actions should such stresses occur

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

The overall net Solvency Capital Requirement for the credit risk module at 31 March 2020 was £1.2m.

The main change to the level and nature of counterparty risk exposure is a result of reduced exposure following the sale of the greater part of the Group's investment assets.

C.4 Liquidity risk

This is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The primary liquidity risks of the Group are the obligation of the B&CEHL to pay suppliers and of B&CEIL to pay claims to policy holders 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 low since it maintains a high level of liquid assets to meet its liabilities. Liquidity risk is not considered as a separate stress under the standard formula SCR as at 31 March 2020.

The Group monitors the liquidity position daily with the finance team carrying out regular cash flow projections to ensure that enough cash is held on deposit to meet upcoming outflows.

The Group also has significant holdings in investment instruments, which can be realised at short notice if required.

The Group is writing very little new business so the profit in future premiums is not material.

C.5 Operational risk

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

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 of applicable laws and regulations

The Group has categorised operational risk into the following areas:

- **Information Technology (IT)**
  - The risk arising from lack of effectiveness, integrity, reliability, capacity and/or availability of IT infrastructure
  - The risks of the inability to protect data from unauthorised access, use, disclosure, disruption, modification and/or destruction
- **People and fraud**
  - 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 through a range of processes:

- The Group's risk management framework is designed to enable it to capture and monitor risk information in a robust and consistent way
- Risk and control assessments – the risk management framework requires all teams across the business to carry out a risk and control self-assessment regularly
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the operational risk exposure

Operational risks are quantitatively assessed for impact based on financial loss and qualitatively for reputational considerations using a Board-agreed assessment matrix.

The key controls around operational risk are the development and maintenance of operational risk registers with the support of the Risk function and the monitoring of operational risks by first-line governance forums and the Executive Risk Committee.

Operational risks are categorised into groupings of risk and reported to the GARC and Boards on a quarterly basis.

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

The Group is subject to concentration in its operational risks, for example, our IT systems. These include the risk of losses in several scenarios such as system outages and data security breaches. Technology remains at the core of our Group operations and focus is on upgrading our IT systems capabilities, aimed at improving the digital offering, operational efficiency and customer experience.

Our operations are based at our Head Office in Crawley, in the event of a catastrophic event which results in our office being out of action, we have business continuity plans for critical functions which should ensure continuity of service to our customers without significant interruption. Our operations would continue from our second office in Crawley, or from our disaster recovery site located approximately 20 miles from Crawley.

The Group holds a Solvency II operational risk capital requirement of £0.03m calculated in line with the Solvency II standard formula approach.

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

C.6 Other material risks

The Group is exposed to a fall in the net asset value of its strategic investments. The most significant strategic investment is B&CEFSL. A reduction in income received from The People's Pension would cause a fall in the net asset value of the Group's main strategic investment B&CEFSL.

The Group is exposed to strategic risk. These are risks associated with strategic implementation and formulation and are considered within the Group Risk Register and monitored by the Executive Committee.

Reputational risk is the risk of potential negative publicity, public perception or uncontrollable events that have an adverse impact our reputation. We do not consider this as a risk category, as it is considered within the impact of the other risks. It is also not part of the standard formula stresses as at 31 March 2020.

On an annual basis, the Group assesses 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.

C.7 Any other information

Risk sensitivity

In order to adequately understand our risk exposures, the Group uses stress and scenario testing to monitor the impact of the sensitivity of material risk and events on the Group's Solvency II surplus asset position, the Group performed several tests when producing the 2019 Group ORSA Report. The below provides an overview of key tests performed:

- **Investment in strategic activities:** This considers the ongoing strategic investment and the impact of the associated risks on our capital.
- **Material changes in the general insurance business:** This considers the sensitivity of the Group to material changes in the premium and claims volumes of the general insurance business.
- **Liquidity issues:** This considers unexpected large, short-term cash requirements forcing the Group to sell assets at unfavourable prices.
- **Operational risks**: This considers the impact of a significant exposure to a large cyber-attack and the impact of significant regulatory events.
- **Product performance and overspend on key strategic programmes:** This considers the impact of The People's Pension performing below expectations and significant overspend on strategic programmes.
- **Global market crisis:** This considers an adverse market movement and a reduced solvency ratio for the reinsurance counterparty Managed Pension Funds.
- **Closure of EasyBuild:** This considers a full closure of the scheme.
- **Disinvestment of LGIM MI Fund**: This considers the impact of reducing our own assets to the current exposure of market risk within the LGIM MI Fund.

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.

The 2019 Group ORSA report was approved by the Board on 14 February 2020. The 2020 ORSA report is currently in development at the time of producing this report.

Solvency capital requirements

The risk exposures calculated as part of the SCR were:

Breakdown of Group Solvency Capital Requirement (£000)		
Risk	31 March 2020[1]	31 March 2019[1]
Life Underwriting risk		
Mortality	-	1
Longevity	-	428
Expense	20	3,292
Lapse (decrease)	-	219
Life catastrophe[5]	-	-
Total before diversification	20	3,939
Diversification benefit	-	(398)
Total	20	3,541
Health Underwriting risk		
NSLT health underwriting	307	261
Health catastrophe	510	780
Total before diversification	817	1,041
Diversification benefit	(159)	(159)
Total [2]	658	882
Market risk		
Equity	-	2,981
Interest rate (down)	-	123
Interest rate (up)	163	-
Credit spread	393	1,733
Concentration	467	307
Currency	-	1,037
Property	1,638	1,638
Total before diversification	2,660	7,817
Diversification benefit	(731)	(1,669)
Total	1,929	6,148
Counterparty default risk	1,197	6,180
Total risk capital before diversification	3,805	16,752
Diversification benefit[3]	(1,010)	(5,041)
Total risk capital[4]	2,795	11,711
Operational risk	31	309
Capital requirement for residual undertakings	6,693	7,795
Total Solvency Capital Requirement [2]	9,519	19,814

1. Loss amounts are the reductions in Own Funds because 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. Diversification benefit between the Life underwriting, Health underwriting, Market and Counterparty default risk modules.
4. Total risk capital from the Life underwriting, Health underwriting, Market and Counterparty default risk modules after allowing for the diversification benefit within these modules.
5. 2019 figure is non-zero.

The COVID-19 pandemic has the potential to have significant impacts on each of the main risk categories above (Underwriting, Market, Credit, Liquidity and Operational), and although the immediate mitigation plans were implemented during March 2020, the Executive team continue to receive regular updates on the financial and operational impacts on the Group.

The Risk function is responsible, among other things, for assessing risks and monitoring risk capital. This also includes the ongoing assessment of risks resulting from pandemics such as COVID-19. Our ability to continue to meet our customers' needs has been supported by a move to home working.

D. Valuation for Solvency II purposes

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

D.1 Assets

To calculate the Group solvency position, Method 1 (Default method): Accounting consolidation-based method has been used. 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 2020:

Assets	Solvency II £000	UK GAAP £000	Solvency II Movement £000
Property, plant and equipment	6,550	3,103	3,447
Holdings in related undertakings	30,352	-	30,352
Collective investment undertakings	40,590	5,678	34,912
Reinsurance recoverables - Other Life	15	15	-
Insurance receivables	6	6	-
Receivables (trade, not insurance)	-	2,863	(2,863)
Cash and cash equivalents	4,263	58,966	(54,703)
Any other assets, not elsewhere shown	3,965	19,305	(15,340)
Total assets [1]	**85,741**	**89,936**	**(4,195)**
Liabilities			
Technical provisions - Health	346	270	76
Technical provisions - Other Life	233	28	205
Provisions other than technical provisions	900	-	900
Deferred tax liabilities	59	59	-
Payables (trade, not insurance)	4,893	5,350	(457)
Any other liabilities, not elsewhere shown	7,916	15,102	(7,186)
Total liabilities [1]	**14,347**	**20,807**	**(6,460)**
Excess of assets over liabilities	**71,394**	**69,129**	**2,265**

1. Apparent discrepancy due to rounding

For comparison, the following table sets out the assets and liabilities held as at 31 March 2019:

Assets	Solvency II £000	UK GAAP £000	Solvency II Movement £000
Intangible assets	-	10,001	(10,001)
Property, plant and equipment	6,550	4,116	2,434
Holdings in related undertakings	35,431	-	35,431
Collective investment undertakings	46,771	53,540	(6,769)
Assets held for unit-linked contracts	38	38	-
Reinsurance recoverables - Other Life	15	15	-
Reinsurance recoverables - Life (unit-linked)	4,960	4,960	-
Counterparty default adjustment	(3)	-	(3)
Insurance receivables	3	3	-
Receivables (trade, not insurance)	-	2,918	(2,918)
Cash and cash equivalents	5,280	32,052	(26,772)
Any other assets, not elsewhere shown	1,204	2,983	(1,779)
Total assets [1]	**100,248**	**110,627**	**(10,379)**
Liabilities			
Technical provisions - Health	228	188	40
Technical provisions - Other Life	189	67	122
Technical provisions - Life (unit-linked)	18,956	4,998	13,958
Provisions other than technical provisions	10,000	-	10,000
Deferred tax liabilities	77	77	-
Payables (trade, not insurance)	2,374	3,903	(1,529)
Any other liabilities, not elsewhere shown	5,592	6,871	(1,279)
Total liabilities [1]	**37,416**	**16,105**	**21,312**
Excess of assets over liabilities	**62,832**	**94,522**	**(31,690)**

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, PHL and CBH have been reported as holdings in related undertakings as they are strategic equity investments. B&CEFSL 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, nor is PHL.

The values for B&CEFSL, PHL 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 £30,352k (2019: £35,431k). They are measured at net asset value under fair value principles and adjusted for intangible assets and inter-company balances. B&CEFSL equates to £29,287k (2019: £34,087k) of this value and is reliant on its contracts with other B&CE entities for its income, therefore its fair value is likely to be the actual net assets.

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. There are no intangible assets and the intangible assets in 2019 did not meet those conditions and, therefore, were 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 permits a depreciated cost model.

Investments in collective investment undertakings

Investments in collective investment undertakings are valued at fair value based on bid price market value at the reporting date or, where investments are dealt at a single price, then this value is used for both UK GAAP and Solvency II.

Externally-managed collective investment undertakings used for the management of short-term liquidity by the Group, are held under UK GAAP as cash and cash equivalents. These assets with a fair value of £34,912k (2019: £13,183k), have been re-classified as collective investment undertakings under Solvency II. 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 in 2019 Reinsurance recoverables - Life (unit-linked). The only difference to the UK GAAP valuations relates to 2019 when a counterparty default adjustment was not included under UK GAAP, see section 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 held at fair value under UK GAAP.

Under UK GAAP, cash and cash equivalents includes £34,912k (2019: £13,183k) 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 £34,912k (2019: £13,183k) has been re-classified under

collective investment undertakings and £19,791k (2019: £13,589k), relating to B&CEFSL, PHL 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, PHL and CBH, £15,340k (2019: £1,779k) to Holdings in related undertakings. The valuation of any other assets is representative of fair value.

Material differences between the Solvency II and UK GAAP asset valuation

There are no key differences between the approach to valuing assets under Solvency II and under UK GAAP in 2020 although in prior years there was one 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 consider the expected losses in the event of default by Managed Pension Funds (the reinsurer of EasyBuild). This adjustment is £0k (2019: £3k) and was deducted from the value of unit-linked assets. Such an adjustment is not required under UK GAAP.

D.2 Technical provisions

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

The table below shows the technical provisions by Solvency II line of business. The UK GAAP results are shown for comparison.

Technical provisions (£000)	2020		2019	
	Solvency II	UK GAAP	Solvency II	UK GAAP
Index-linked and unit-linked insurance				
Best-estimate / reserve	-	-	16,849	4,998
Risk margin	-		2,107	
Total	**-**		**18,956**	
Reinsurance recoverable	-	-	4,957	4,960
Total after allowing for recoverables		**-**		**38**
Other life insurance				
Best-estimate / reserve	220	28	189	67
Risk margin	13		-	
Total	**233**		**189**	
Reinsurance recoverables	15	15	15	15
Total after allowing for recoverables		**13**		**52**
Workers compensation and Income protection insurance				
Best-estimate / reserve	294	270	159	188
Risk margin	52		69	
Total	**346**		**228**	
Reinsurance recoverables	-	-	-	-
Total after allowing for recoverables		**270**		**188**
Total technical provisions, before recoverables	**579**	**298**	**19,373**	**5,253**

Calculation methodology

Other life insurance

B&CEIL's Life Insurance Protection product is classified as 'Other life insurance'. It closed to new business several years ago and there are just 7 policies in-force as at 31 March 2020 (2019: 8).

Because of its low materiality, a proportionate approach to calculating the Life Insurance Protection 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 to cover administration expenses that exceed the reasonable level of expenses allowed for within the Solvency I reserve.

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

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 and Personal Accident are short-term personal accident policies, 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
- 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

Other life insurance

For Life Insurance Protection, an assumption is made about the level of expected annual future maintenance expenses for the Life Insurance Protection product based on the budgeted expenses.

Worker's compensation and income protection insurance

The key assumptions used to derive the BEL for EAC, RapidCash and Personal Accident are the ultimate loss ratios and run-off, and the level of expected administration and claims expenses. These are derived based on experience (ultimate loss ratios and run-off) and based on budgeted expenses. The Group is not aware of any significant changes in the external environment that suggest that the 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 by deviations between the best estimate assumptions and future experience. For the Group, the technical provisions are most sensitive to the level of assumed expenses.

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

The main difference between the Solvency II and the UK GAAP technical provisions is that the Solvency II technical provisions include a risk margin.

Reinsurance recoverables

Following the transfer of the remaining EasyBuild members to The People's Pension, B&CEIL now has only one reinsurance arrangement in place:

- 90% of the closed Life Insurance Protection business (other life insurance) is reinsured to Swiss Re under a quota share arrangement. B&CEIL passes 90% of premiums received to Swiss Re and, in return, Swiss Re pays out 90% of any death claims incurred.

The table below shows the amounts of recoverables from reinsurance contracts for each Solvency II line of business. The Group has no exposure to special purpose vehicles.

(£000)	Recoverables from reinsurance contracts 31 March 2020	Recoverables from reinsurance contracts 31 March 2019
Index-linked and unit-linked insurance[1]	-	4,957
Other life insurance	15	15
Worker's compensation and income protection insurance	-	-
Total	**15**	**4,972**

Note: 1. 2019 included an adjustment for counterparty default in accordance with Solvency II regulations

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

The 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:

Liability	2020			2019		
	Solvency II £000	UK GAAP £000	Solvency II Movement £000	Solvency II £000	UK GAAP £000	Solvency II Movement £000
Provisions other than technical provisions	900	-	900	10,000	-	10,000
Deferred tax liabilities	59	59	-	77	77	-
Payables (trade, not insurance)	4,893	5,350	(457)	2,374	3,903	(1,529)
Any other liabilities	7,916	15,102	(7,186)	5,592	6,871	(1,279)
Total other liabilities	**13,768**	**20,511**	**(6,743)**	**18,043**	**10,851**	**7,192**

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 consistent with fair value.

Provisions other than technical provisions represents the liability £0.9m (2019: £10.0m) held in respect of the Letter of Guarantee, set up in 2019 between B&CEIL and PFSL to support the capital requirements of The People's Pension. The reason for the reduction in the size of the liability is to align the Solvency II methodology with the accounting policy for this liability.

The balances relating to B&CEFSL, PHL and CBH of £7,643k (2019: £2,808k) have been reclassified to Holdings in related undertakings.

D.4 Alternative methods of valuation

All investment assets are valued at fair value with no alternative methods of valuation being used. These assets are identified within the Group's Annual report and financial statements as being 'Level 1' in the fair value hierarchy.

D.5 Any other information

There is no other information regarding the valuation of assets and liabilities to report.

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 member interests.

The Board intends on maintaining surplus capital more than 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 considers several 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 if 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 are summarised in the table below:

Own fund item	2020			2019		
	Tier	£000	%	Tier	£000	%
Reconciliation reserve	1 - unrestricted	71,394	100.0	1 - unrestricted	62,832	100.0
Total		**71,394**	**100.0%**		**62,832**	**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 2020, total available Own funds to meet the SCR and the MCR are £71,394k (2019: £62,832k), all of which is tier 1 - unrestricted. The eligible Own funds over SCR ratio is 750% (2019: 317%) and the eligible Own funds over MCR ratio is 1337% (2019: 1140%).

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 £8,562k from £62,832k to £71,394k. Details of the movement from the 2019 figures can be seen in the table below:

Assets	2020 £000	2019 £000	Movement £000
Property, plant and equipment	6,550	6,550	-
Holdings in related undertakings	30,352	35,431	(5,079)
Collective investment undertakings	40,590	46,771	(6,181)
Assets held for unit-linked contracts	-	38	(38)
Reinsurance recoverables - Other Life	15	15	-
Reinsurance recoverables - Life (unit-linked)	-	4,960	(4,960)
Counterparty default adjustment	-	(3)	3
Insurance receivables	6	3	3
Cash and cash equivalents	4,263	5,280	(1,017)
Any other assets, not elsewhere shown	3,965	1,204	2,761
Total assets [1]	**85,741**	**100,248**	**(14,507)**
Liabilities			
Technical provisions - Health (1)	346	228	118
Technical provisions - Other Life (2)	233	189	44
Technical provisions - Life (unit-linked) (3)	-	18,956	(18,956)
Provisions other than technical provisions	900	10,000	(9,100)
Deferred tax liabilities	59	77	(18)
Payables (trade, not insurance)	4,893	2,374	2,519
Any other liabilities, not elsewhere shown	7,916	5,592	2,324
Total liabilities	**14,347**	**37,416**	**(23,069)**
Excess of assets over liabilities	**71,394**	**62,832**	**8,562**

1. Apparent discrepancy due to rounding

(1) Technical provisions – Health

The technical provisions in respect of RapidCash, Personal Accident and Employee Accident Cover have increased over the year. The principal reason is an increase in the provision for future expenses.

(2) Technical provisions – Other Life

The increase in the technical provisions in respect of the Life Insurance Protection product is due to an increase in the expected present value of future expenses.

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

There are no technical provisions in respect of EasyBuild following the transfer of the members to The People's Pension.

Reconciliation of 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.

	2020 £000	2019 £000
Opening UK GAAP reserves	**69,129**	**94,522**
Adjustments to property, plant and equipment	3,447	2,434
Adjustments to intangible fixed assets	-	(10,001)
Adjustments to technical provisions	(281)	(14,123)
Adjustment to non-technical provisions	(900)	(10,000)
SII excess of assets over liabilities	**71,395**	**62,832**

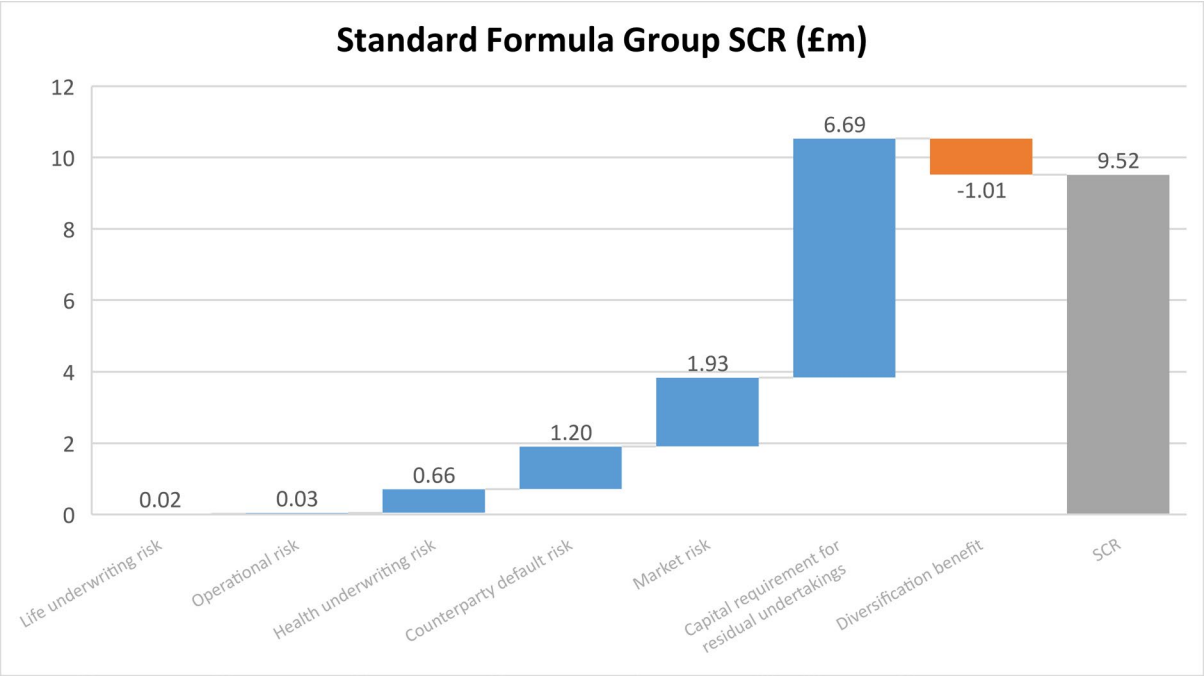
E.2 Solvency Capital Requirement and Minimum Capital Requirement.

The Group applies the standard formula for the calculation of the Solvency Capital Requirement. To calculate the Group solvency position, Method 1 (Default method): Accounting consolidation-based method has been used.

The solvency capital requirement by risk module are presented in the table below:

Risk module	2020 £000	2019 £000
Market risk	1,929	6,148
Counterparty default risk	1,197	6,180
Life underwriting risk	20	3,541
Health underwriting risk	658	882
Undiversified basic Solvency Capital Requirement [1]	**3,805**	**16,752**
Diversification	(1,010)	(5,041)
Basic Solvency Capital Requirement	**2,795**	**11,711**
Operational risk	31	309
Capital requirement for residual undertakings	6,693	7,795
Solvency Capital Requirement [1]	**9,519**	**19,814**

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 Group. This simplification is not material.

The 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.

The diversification benefits have been calculated using the standard formula correlation matrix.

Minimum Capital Requirement

The table below shows the inputs used to calculate the Minimum Capital Requirement for B&CEIL.

	2020 £000	2019 £000
Linear MCR	117	159
Solo SCR	1,103	8,755
MCR cap (45% of SCR)	496	3,940
MCR floor (25% of SCR)	276	2,189
Combined MCR	276	2,189
Absolute floor of the MCR (€6.2m)	5,340	5,510
Minimum Capital Requirement	**5,340**	**5,510**

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. For both years the Combined MCR has been set at the minimum level, ie equal to 25% of the solo SCR.

The absolute floor is prescribed by EIOPA in Euros (€6.2m for B&CEIL). The MCR is calculated as the higher of the Combined MCR and the absolute floor. The MCR is based on the absolute floor in both 2020 and 2019 as it is higher than the Combined MCR.

The Group SCR floor is equivalent to the MCR.

Solvency ratio

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

	2020 £000	2019 £000
Solvency II Own Funds (A)	71,394	62,832
Solvency capital requirements (B)	9,519	19,814
Solvency II free assets (A – B)	61,875	43,018
Financial Strength Ratio (A / B)	**750%**	**317%**

The Financial Strength Ratio has increased over the year and at 750% remains significantly more than the Board's stated minimum of 150%.

E.3 Non-compliance with the MCR and non-compliance with the SCR

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

E.4 Any other information

In November 2019, B&CEIL approved a capital reduction of £25m that was actioned in December 2019. This was carried out in anticipation of the transfer of EasyBuild members to The People's Pension which reduced the capital requirements of B&CEIL. In November 2019, B&CEIL approved a £25m dividend to PFSL and subsequently in December 2019 PFSL partially repaid £25m of its intercompany loan from B&CEHL.

Appendix A. Annual quantitative reporting templates (QRTs)

The following pages contain the QRTs listed below for the Group. All figures are presented in thousands of pounds except for 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

	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	6,550
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	70,941
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	30,352
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	40,590
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
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:	15
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	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	6
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	4,263
R0420	Any other assets, not elsewhere shown	3,965
R0500	**Total assets**	85,741
		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	346
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)	346
R0570	TP calculated as a whole	0
R0580	Best Estimate	294
R0590	Risk margin	52
R0600	Technical provisions - life (excluding index-linked and unit-linked)	233
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)	233
R0660	TP calculated as a whole	0
R0670	Best Estimate	220
R0680	Risk margin	13
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	900
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	59
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)	4,893
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	7,916
R0900	**Total liabilities**	14,347
R1000	**Excess of assets over liabilities**	71,394

	S.05.01.02.01 Premiums, claims and expenses by line of business - Non-life	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	378	648	1,026
R0120	Gross - Proportional reinsurance accepted	0	0	0
R0130	Gross - Non-proportional reinsurance accepted			0
R0140	Reinsurers' share	0	0	0
R0200	Net	378	648	1,026
	Premiums earned			
R0210	Gross - Direct Business	378	648	1,026
R0220	Gross - Proportional reinsurance accepted	0	0	0
R0230	Gross - Non-proportional reinsurance accepted			0
R0240	Reinsurers' share	0	0	0
R0300	Net	378	648	1,026
	Claims incurred			
R0310	Gross - Direct Business	44	30	74
R0320	Gross - Proportional reinsurance accepted	0	0	0
R0330	Gross - Non-proportional reinsurance accepted			0
R0340	Reinsurers' share	0	0	0
R0400	Net	44	30	74
	Changes in other technical provisions			
R0410	Gross - Direct Business	-3	79	76
R0420	Gross - Proportional reinsurance accepted	0	0	0
R0430	Gross - Non- proportional reinsurance accepted			0
R0440	Reinsurers'share	0	0	0
R0500	Net	-3	79	76
R0550	**Expenses incurred**	131	648	779
R1200	**Other expenses**			0
R1300	**Total expenses**			779

	S.05.01.02.02 Premiums, claims amd expenses by line of business - Life	Line of Business for: **life insurance obligations**		**Total**
		Index-linked and unit-linked insurance	Other life insurance	
		C0230	C0240	C0300
	Premiums written			
R1410	Gross	0	2	2
R1420	Reinsurers' share	28	2	30
R1500	Net	-28	0	-28
	Premiums earned			
R1510	Gross	0	2	2
R1520	Reinsurers' share	28	2	30
R1600	Net	-28	0	-28
	Claims incurred			
R1610	Gross	4,908	3	4,911
R1620	Reinsurers' share	4,908	0	4,908
R1700	Net	0	3	3
	Changes in other technical provisions			
R1710	Gross	-4,998	-39	-5,037
R1720	Reinsurers' share	-4,960	0	-4,960
R1800	Net	-38	-39	-77
R1900	**Expenses incurred**	456	24	479
R2500	**Other expenses**			0
R2600	**Total expenses**			479

	S.23.01.22 Own Funds	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
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	71,394	71,394			
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	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**	71,394	71,394	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 institutions, alternative investment fund managers, UCITS management companies – total	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	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)	71,394	71,394	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	71,394	71,394	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and	71,394	71,394	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR	71,394	71,394	0	0	
	Consolidated Group SCR					
R0610	**Minimum consolidated Group SCR**	5,340				
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**	13.3690				
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)**	71,394	71,394	0	0	0
R0670	**SCR for entities included with D&A method**					
R0680	**Group SCR**	9,519				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	7.5003				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	71,394				
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**	71,394				
	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				

	S.25.01.22 Solvency Capital Requirement - for undertakings on Standard Formula	Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,929		
R0020	Counterparty default risk	1,197		
R0030	Life underwriting risk	20		
R0040	Health underwriting risk	658		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-1,010		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	2,795		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	31
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**	2,826
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	9,519
	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	5,340
	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	6,693
	Overall SCR	
R0560	SCR for undertakings included via D and A	0
R0570	**Solvency capital requirement**	9,519

S.32.01.22 Undertakings in the scope of the Group								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	213800RXILVL7GEOSL94	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	213800TB5WXOQW6IVI52	LEI	Constructing Better Health	99	Other	2			1.0000	1.0000		1	1.0000	1		1
GB	213800WPRHTGN2VYRC84	LEI	Building and Civil Engineering Benefits Scheme Trustee Limited	99	Other	2				1.0000		1	1.0000	1		1
GB	213800Y53LFKJAKM8848	LEI	People's Financial Services Limited	5	Insurance Holding Company	2		1.0000	1.0000	1.0000		1	1.0000	1		1
GB	213800PO3MW4YQIWVO81	LEI	People's Health Limited	99	Other	2		1.0000	1.0000	1.0000		1	1.0000	1		1
GB	213800BB6VMHW8R9AY64	LEI	People's Administration Services Limited	99	Other	2		1.0000	1.0000	1.0000		1	1.0000	1		1
GB	213800ECKM394V2OPI16	LEI	The People's Pension Trustee Limited	99	Other	2		1.0000	1.0000	1.0000		1	1.0000	1		1
GB	213800NQ5PB5AX1J4U58	LEI	People's Insurance Limited	99	Other	2		1.0000	1.0000	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 except for 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

	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)	18,820
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	18,820
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
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:	15
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	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	6
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	457
R0420	Any other assets, not elsewhere shown	622
R0500	**Total assets**	19,920
		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	346
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)	346
R0570	TP calculated as a whole	0
R0580	Best Estimate	294
R0590	Risk margin	52
R0600	Technical provisions - life (excluding index-linked and unit-linked)	233
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)	233
R0660	TP calculated as a whole	0
R0670	Best Estimate	220
R0680	Risk margin	13
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	900
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	59
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)	297
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	447
R0900	**Total liabilities**	2,282
R1000	**Excess of assets over liabilities**	17,638

S.05.01.02.01 Premiums, claims and expenses by line of business - Non-life - Company

		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	378	648	1,026
R0120	Gross - Proportional reinsurance accepted	0	0	0
R0130	Gross - Non-proportional reinsurance accepted			0
R0140	Reinsurers' share	0	0	0
R0200	Net	378	648	1,026
	Premiums earned			
R0210	Gross - Direct Business	378	648	1,026
R0220	Gross - Proportional reinsurance accepted	0	0	0
R0230	Gross - Non-proportional reinsurance accepted			0
R0240	Reinsurers' share	0	0	0
R0300	Net	378	648	1,026
	Claims incurred			
R0310	Gross - Direct Business	44	30	74
R0320	Gross - Proportional reinsurance accepted	0	0	0
R0330	Gross - Non-proportional reinsurance accepted			0
R0340	Reinsurers' share	0	0	0
R0400	Net	44	30	74
	Changes in other technical provisions			
R0410	Gross - Direct Business	-3	79	76
R0420	Gross - Proportional reinsurance accepted	0	0	0
R0430	Gross - Non- proportional reinsurance accepted			0
R0440	Reinsurers'share	0	0	0
R0500	Net	-3	79	76
R0550	**Expenses incurred**	131	648	779
R1200	**Other expenses**			0
R1300	**Total expenses**			779

S.05.01.02.02 Premiums, claims amd expenses by line of business - Life - Company

		Line of Business for: **life insurance obligations**		**Total**
		Index-linked and unit-linked insurance	Other life insurance	
		C0230	C0240	C0300
	Premiums written			
R1410	Gross	0	2	2
R1420	Reinsurers' share	28	2	30
R1500	Net	-28	0	-28
	Premiums earned			
R1510	Gross	0	2	2
R1520	Reinsurers' share	28	2	30
R1600	Net	-28	0	-28
	Claims incurred			
R1610	Gross	4,908	3	4,911
R1620	Reinsurers' share	4,908	0	4,908
R1700	Net	0	3	3
	Changes in other technical provisions			
R1710	Gross	-4,998	-39	-5,037
R1720	Reinsurers' share	-4,960	0	-4,960
R1800	Net	-38	-39	-77
R1900	**Expenses incurred**	456	24	479
R2500	**Other expenses**			0
R2600	**Total expenses**			479

	S.12.01.02 Life and Health SLT Technical Provisions - Company	Other life insurance			Total (Life other than health insurance, including Unit-Linked)
			Contracts without options and guarantees	Contracts with options or guarantees	
		C0060	C0070	C0080	C0150
R0010	**Technical provisions calculated as a whole**	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
	Technical provisions calculated as a sum of BE and RM				
	Best Estimate				
R0030	**Gross Best Estimate**		220	0	220
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		15	0	15
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re - total		205	0	205
R0100	**Risk Margin**	13			13
	Amount of the transitional on Technical Provisions				
R0110	Technical Provisions calculated as a whole	0			0
R0120	Best estimate		0	0	0
R0130	Risk margin	0			0
R0200	**Technical provisions - total**	233			233

S.17.01.02 Non-Life Technical Provisions - Company

		Direct business and accepted proportional reinsurance		Total Non-Life obligation
		Income protection insurance	Workers' compensation insurance	
		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	6	21	26
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	6	21	26
	Claims provisions			
R0160	Gross	25	242	268
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	25	242	268
R0260	**Total Best estimate - gross**	31	263	294
R0270	**Total Best estimate - net**	31	263	294
R0280	**Risk margin**	6	47	52
	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	37	310	346
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	37	310	346

S.19.01.21 Non-life Insurance Claims Information (simplified template for the public disclosure) - Company

Total Non-Life Business

Z0020	Accident year / Underwriting year	**Z0020**	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	0
R0160	**N-9**	204	135	53	6	9	9	0	0	0	0		0	416
R0170	**N-8**	214	108	67	0	0	0	0	0	0			0	389
R0180	**N-7**	93	90	15	9	0	0	0	0				0	207
R0190	**N-6**	105	84	48	0	0	0	0					0	237
R0200	**N-5**	132	60	15	2	0	0						0	209
R0210	**N-4**	60	35	18	9	0							0	122
R0220	**N-3**	82	48	24	9								9	163
R0230	**N-2**	67	86	3									3	156
R0240	**N-1**	94	19										19	113
R0250	**N**	38											38	38
R0260												**Total**	69	2,050

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**											0	0
R0160	**N-9**	0	0	0	0	0	0	0	0	0	0		0
R0170	**N-8**	0	0	0	0	0	0	0	0	0			0
R0180	**N-7**	0	0	0	0	0	0	0	0				0
R0190	**N-6**	0	0	0	0	0	0	0					0
R0200	**N-5**	0	0	0	0	0	0						0
R0210	**N-4**	0	0	5	0	0							0
R0220	**N-3**	0	65	4	0								0
R0230	**N-2**	179	35	7									7
R0240	**N-1**	104	68										68
R0250	**N**	193											192
R0260												**Total**	268

	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)	15,000	15,000		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	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	2,638	2,638			
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	0
R0290	**Total basic own funds after deductions**	17,638	17,638	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	17,638	17,638	0	0	0
R0510	Total available own funds to meet the MCR	17,638	17,638	0	0	
R0540	Total eligible own funds to meet the SCR	17,638	17,638	0	0	0
R0550	Total eligible own funds to meet the MCR	17,638	17,638	0	0	
R0580	**SCR**	1,103				
R0600	**MCR**	5,340				
R0620	**Ratio of Eligible own funds to SCR**	15.9902				
R0640	**Ratio of Eligible own funds to MCR**	3.3028				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	17,638
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	15,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	2,638
	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

	S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula - Company	Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	313		
R0020	Counterparty default risk	505		
R0030	Life underwriting risk	20		
R0040	Health underwriting risk	658		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-424		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,072		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	31
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**	1,103
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	1,103
	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

	Approach to tax rate	**Yes/No** C0109
R0590	Approach based on average tax rate	3 - Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT** C0130
R0600	DTA	
R0610	DTA carry forward	
R0620	DTA due to deductible temporary differences	
R0630	DTL	
R0640	LAC DT	0
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

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**	113	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	31	378	0	0
R0040	Workers' compensation insurance and proportional reinsurance	263	648	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	4

		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		205	
R0250	Total capital at risk for all life (re)insurance obligations		0		31

	Overall MCR calculation	C0130
R0300	Linear MCR	117
R0310	SCR	1,103
R0320	MCR cap	496
R0330	MCR floor	276
R0340	Combined MCR	276
R0350	Absolute floor of the MCR	5,340

		C0130
R0400	**Minimum Capital Requirement**	5,340

	Notional non-life and life MCR calculation	Non-life activities	Life activities
		C0140	C0150
R0500	Notional linear MCR	113	4
R0510	Notional SCR excluding add-on (annual or latest calculation)	1,062	41
R0520	Notional MCR cap	478	18
R0530	Notional MCR floor	266	10
R0540	Notional Combined MCR	266	10
R0550	Absolute floor of the notional MCR	2,153	3,187
R0560	Notional MCR	2,153	3,187

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