B&CE Group

Solvency and Financial Condition Report
as at 31 March 2021

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 any applicable laws and regulations as applicable as at 31 March 2021.

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’re 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’s 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

Sue Hunter
Director
26 /07 / 2021

Summary

Introduction

We are a different financial services business with a strong heritage. Structured without shareholders, we use our profits to provide straightforward, accessible, trusted, products and support that really help people, today and tomorrow.

We work with employers and those who advise them, making it easy for employers to set up and manage our products and for employees to be part of and benefit from them.

We're here to help people build financial foundations for life.

As a business set up without shareholders, we take a long-term view so that we can deliver on our purpose – to help people build better foundations for life. We invest our profits back into what we do, constantly looking for better, more efficient ways to deliver great products that really help people. We provide our members with straightforward, accessible, trusted products and support.

Today, we're best known for The People's Pension, a successful authorised 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.

The principal activity of B&CE Insurance Limited is to operate insurance products for employees in the construction industry. It offers a small range of insurance products to construction workers. Formerly the largest part of the Group, it has reduced in size significantly following the closure of RapidCash and Personal Accident Insurance in September 2020 and the EasyBuild Stakeholder Scheme in March 2020.

The Group administers The People's Pension (the Scheme) and other financial products.

As at 31 March 2021 the Group had net assets of £82.5m.

Business and performance summary

To ensure we're delivering real value for money for our members, we constantly review both our current and legacy products. As a result, B&CE Insurance Limited closed its RapidCash and Personal Accident Insurance products during the year, along with 2 minor subsidiaries, People Health Limited and Constructing Better Health, which ceased trading on 31 August 2020.

The Company's initial response to the impact of the pandemic featured the prioritisation of key financial transactions, member communications and support for vulnerable members. At the same time, and from an operational perspective, the Company during the Spring of 2020 changed its focus from predominantly office-based staff, supporting members by telephone, to home-based staff supporting members through a blend of telephone and digital channels. This necessitated the acquisition and deployment of new IT hardware and software.

Key financial performance

The Group's solvency position remains robust. This stability is to be expected given that the insurance companies' product lines and investments strategy, and therefore risk exposure, have remained largely unchanged.

- The Group's SII surplus as at 31 March 2021 is £64.5m (2020: £61.9m)

- The Group's Financial Strength ratio (FSR) of 436% (2020: 750%) has fallen driven primarily by the reduction in surplus of the Staff Pension Scheme over the year as a result of economic volatility. The continued healthy solvency ratio demonstrates that the Group has been able to withstand the volatile market conditions over the year.
- The consolidated profit after tax for the year was £13.4m (2020: £25.6m loss)
  - Revenue increased to £59.1m (2020: £39.5m)
  - Net operating expenses decreased to £50.9m (2020: £57.7m)
  - An impairment of intangible assets of nil (2020: £9.9m)
  - Other operating income of £0.6m (2020: nil)
  - Gains from financial instruments totalled £0.6m (2020: £1.9m)
  - Tax credit of £4.0m (2020: £0.4m)

System of governance summary

There have been no material changes to our system of governance during the year. Section B of this report has full information on the Group's system of governance.

Risk profile summary

The closure of RapidCash and Personal Accident Insurance in September 2020 has not materially changed our risk profile or materially impacted our capital requirements as the insurance liabilities are low. Section C of this report has more information on the Group's risk profile.

Valuation for Solvency II purposes summary

There has been no material change in the method used in the valuation for Solvency II purposes during the reporting period. Section D of this report has more information on the Group's valuation for Solvency II purposes.

Capital management summary

There have been no instances of non-compliance with the MCR or SCR at any time over the reporting period. Section E of this report has more information on the Group's capital management for Solvency II purposes.

The Solvency and Financial Condition Report (SFCR) is a regulatory document and is based on the financial position of the B&CE Group as at 31 March 2021. B&CE Insurance Limited (B&CEIL) is the only insurance company in the Group. 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 4. 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.

A. Business and performance

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

A.1 Business

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) is the lead supervisor for the purposes of Solvency II regulation. B&CEIL is the Group's only insurance undertaking, is authorised by the PRA and regulated by both the PRA and FCA. 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 independent 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

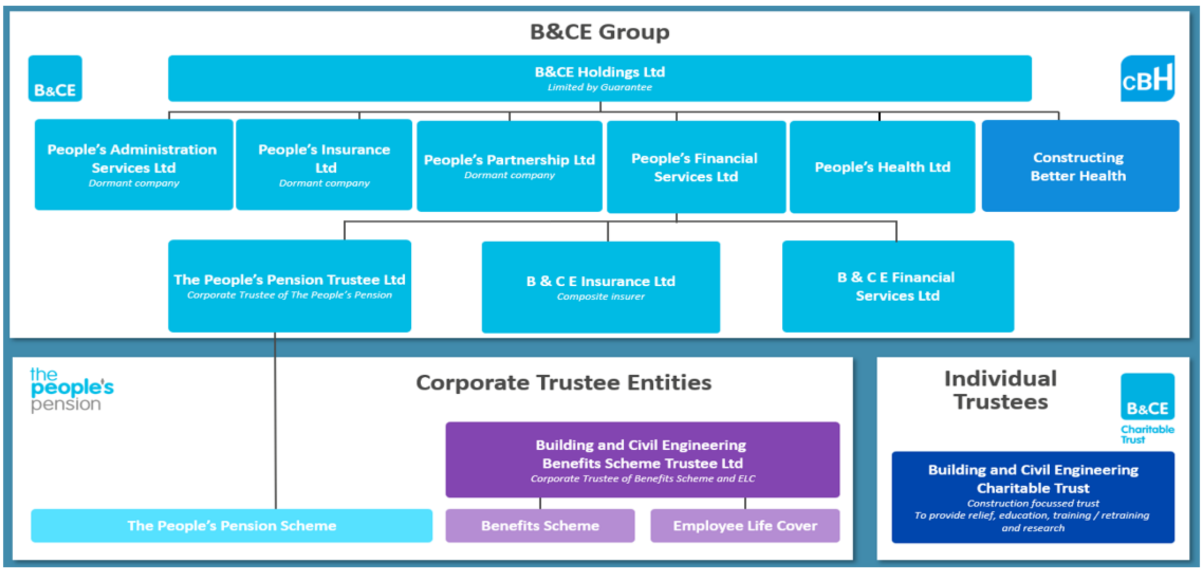
Legal structure of the Group

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

B&CEHL has 5 direct wholly owned subsidiaries (PASL, PIL, PPL, PFSL and PHL) and 3 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 TPPTL, B&CEIL and B&CEFSL.

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 2021.



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.	The principal activity is as an intermediate holding company for the corporate trustee of The People's Pension Scheme, The People's Pension Trustee Limited, and the administrator and insurer, B&CE Financial Services Limited and B&CE Insurance Limited respectively, of the Group's pension schemes and financial products.	100%
PHL	This is a wholly owned subsidiary of B&CEHL.	The principal activity of the Company was to help employers and accredited occupational health service providers manage health-at-work. It is a dormant company which ceased trading on 31 August 2020.	100%
B&CEIL	This is a wholly owned subsidiary of PFSL.	The principal activity is to operate insurance products for employees in the construction industry – and to manage products in run off.	100%
B&CEFSL	This is a wholly owned subsidiary of PFSL.	The main activity is to administer The People's Pension and other financial products on behalf of the Group.	100%
CBH	This is a company limited by guarantee, with B&CEHL being the sole member.	It is a dormant company which ceased trading on 31 August 2020.	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 and workplace pension 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. The EAC and ELC products are also available to residents in the Isle of Man.

Product	Description	Entity	Status
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	**Open**
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	**Open**
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	**Open**
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	**In run off**
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	**In run off**
Building and Civil Engineering Benefits Scheme	A multi-employer defined benefit occupational pension scheme.	Trustee: B&CEBSTL Founder: B&CEHL Administrator: B&CEFSL	**In run off**
RapidCash Injury Insurance	A personal injury insurance product, which closed in September 2020.	Insurer: B&CEIL Administrator: B&CEFSL	**Closed**
Personal Accident	A low-cost insurance policy for the construction industry. Personal Accident closed in September 2020.	Insurer: B&CEIL Administrator: B&CEFSL	**Closed**
CBH	An occupational health scheme aimed at construction employers, which ceased trading on 31 August 2020.	Scheme operated by: CBH	**Closed**

* 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

The Group moved to a remote operating model to maintain service delivery during the COVID-19 pandemic which has been adopted successfully during the year with little impact on its activities.

The closure of 2 legacy insurance products, RapidCash and Personal Accident Insurance, were successfully completed during the year.

Future developments

As we emerge from the COVID-19 pandemic, our key focus remains on supporting members and meeting their evolving needs.

This means the Group will continue to invest in the digital services that members increasingly expect. The clear trend in recent years and into the future is for members to use fewer traditional communications methods, such as post, and more electronic media, such as email, for service interactions and transactions.

Moreover, with a larger number of members overall, and higher and increasing transaction volumes for the proportion of active members, the Group can deliver services more cost-effectively through digital and self-service channels than it can through traditional ones.

The impact of this investment will be more visible to members in some areas than others. An example of continued investment is a new telephony system that directly routes callers to the next available Group call handler with the most relevant expertise. Cost-effectiveness is being achieved as more internal processes are automated.

A.2 Underwriting performance

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

Our Group business model is focussed on workplace pension schemes, with 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 loss of £0.1m for long-term insurance business and an underwriting surplus of £0.2m for general insurance business.

Long-term business for the year ended 31 March 2021

	2021	2020
Earned premiums, net of reinsurance	**£000**	£000
Gross premiums written	**1**	2
Outward reinsurance premiums	**(1)**	(2)
	-	-
Investment income	**14**	803
Other technical income, net of reinsurance	**-**	29
	14	832
Claims incurred		
Gross claims paid	**-**	(3)
Change in other technical provisions, net of reinsurance		
Long-term business provision	**10**	39
Other technical provisions net of reinsurance		
Technical provisions for linked liabilities – gross amount	**-**	89
Technical provisions for linked liabilities – reinsurers' share	**-**	(79)
	-	10
	10	49
Net operating expenses	**(196)**	(479)
Tax attributable to the long-term business	**28**	(86)
Balance on the long-term business technical account	**(144)**	313

The main driver for the swing from an underwriting surplus to an underwriting loss was the significant reduction in investment income due to the Company's decision to sell the majority of its equity-based investments during the previous year to de-risk its investments portfolio.

General business for the year ended 31 March 2021

	2021 £000	2020 £000
Earned premiums		
Gross premiums written	**765**	1,026
Change in the gross provision for unearned premiums	**16**	(43)
	781	983
Claims incurred		
Gross claims paid	**(123)**	(213)
Gross change in the provision for claims	**156**	(38)
	33	(251)
Net operating expenses	**(613)**	(502)
Balance on the general business technical account	**201**	230

The main drivers for the decrease in the balance on the general business account for 2021 was the closure of RapidCash and Personal Accident Insurance in September 2020 which reduced premiums. This has been offset by a reduction in the provision for claims which creates a positive benefit for the General Fund during the year.

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 annual management charges (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 2021, the Group investments managed by LGIM were invested in the following asset classes (with prior year comparatives included within brackets):

Group entity	Short dated corporate bonds	Cash	Total
B&CEIL general fund	£2.5m 43% (£2.4m) (42%)	£3.3m 57% (£3.3m) (58%)	£5.8m (£5.7m)

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 2021 £000	Net investment returns 2020 £000
LGIM Funds				
Mixed Investment 0-35%	-	571	571	1,932
Short Dated Sterling Corporate Bond Index Fund	-	-	-	(11)
Cash Trust	-	-	-	22
Cash	98	-	98	265
Total	**98**	**571**	**669**	**2,208**

Investment performance has decreased significantly as a result of the sale of the Mixed Investment holdings in the latter half of 2019. This has insulated the Group from the market volatility experienced in the last 18 months following the COVID-19 pandemic as the significant majority of assets are now held as cash or cash equivalents which have lower returns but are within the Group's current risk tolerance.

Securitisation

The Group holds no direct investments in securitisations as at 31 March 2021 and indirectly held £nil (2020: £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	2021	Movement	2020
The People's Pension	5,318,129	341,800	4,976,329
Employee Accident Cover	116,702	(10,181)	126,883
Employee Life Cover	116,702	(10,181)	126,883
TUTMAN B&CE Contracted-out pension scheme	4,966	(394)	5,360
Building and Civil Engineering Benefits Scheme	1,071,366	(6,742)	1,078,108
RapidCash	-	(1,458)	1,458
Personal Accident	-	(59)	59
CBH	-	(25,535)	25,535
Life Insurance Protection	4	(3)	7

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. The table also shows the impact of product closures during the year.

In the year ended 31 March 2021, the Group made a profit totalling £13.4m (2020: £25.6m loss). The table below is an extract from the consolidated statement of comprehensive income in the Annual report and financial statements for the year ended 31 March 2021 for the Group.

	2021 £000	2020 £000
Revenue	**59,059**	39,492
Net operating expenses	**(50,921)**	(57,709)
Impairment of intangible assets	**-**	(9,919)
Other operating income	**628**	-
Gains from financial instruments	**579**	1,880
Profit / (loss) before interest and taxation	**9,345**	(26,256)
Finance income	**90**	265
Profit / (loss) before taxation	**9,435**	(25,991)
Tax credit on profit / (loss)	**4,012**	390
Profit / (loss) for the financial year	**13,447**	(25,601)

The main variances compared to last year are as follows:

- Revenue for the year increased to £59.1m (2020: £39.5m):
    - Management fees totalled £57.3m for the year (2020: £37.0m). The increase of £20.3m is driven by a £20.2m increase in administration fees in relation to The People's Pension: the element of these fees that is calculated as a proportion of the funds under management has increased by £8.2m to £39.8m (net of £6.6m of management charge rebates) (2020: £31.6m (net of £0.5m management charge rebates)), coupled with the new annual charge of £2.50 per member introduced during the year which accounted for an additional £12.0m (2020: nil).
    - Throughout 2020/21, the average monthly contributions into The People's Pension exceeded £250m. The People's Pension introduced an 'Annual Charge' of £2.50 per member as part of its annual management charge. This amendment to the charging structure has created some certainty to a portion of the Group's revenue while making the charging structure fairer for members of the Scheme, as it reduces the level of cross-subsidisation and allows members to pay a charge more closely aligned with the costs associated with managing their savings.
    - Revenue from the insurance business decreased slightly to £0.7m (2020: £1.0m) as two products were closed on 30 September 2020 plus a full year impact of the EasyBuild Stakeholder Scheme closure in March 2020.
    - Other income decreased to £1.0m (2020: £1.4m) primarily due to £0.3m less in sign up fees as less employers signed up to use The People's Pension, which is expected given the economic uncertainty caused by COVID-19.

- Net operating expenses decreased to £50.9m (2020: £57.7m):
    - During the year, management took swift action to reduce the underlying cost base of the Group as a mitigating action against the unknown impact of COVID-19. This included close monitoring of all costs and a 6-month reduction in the salaries of non-executive directors and the executive committee.

Furthermore, a provision of £1.2m for contract termination costs was included last year which was materially utilised during the year and the unutilised balance released to comprehensive income.

- An impairment of intangible assets of £9.9m was made during the previous year.

- Other operating income of £0.6m (2020: £nil) relating to government contributions in respect of the Coronavirus Job Retention Scheme.

- Gains from financial instruments totalled £0.6m (2020: £1.9m): the fall in income was due to the sale of the Groups holdings in a mixed equity investment fund in the prior year, de-risking the Groups investment holdings but reducing gains from financial instruments, with 2020 including a realised profit of £1.4m on the sale of financial investments.

- Tax credit of £4.0m (2020: £0.4m) – the driver of this is the recognition of a deferred tax asset of £3.2m in respect of carried forward tax losses expected to be utilised over the next 3 years.

Lease arrangements

At 31 March 2021, the Group had annual commitments in respect of non-cancellable operating leases. The operating lease expense for the financial year amounted to £640k (2020: £782k). The Group is committed to payments in 2021/22 which are expected to be £682k.

The total of future minimum lease payments under non-cancellable operating leases on land and buildings are £2,801k.

A.5 Any other information

No material information to report.

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

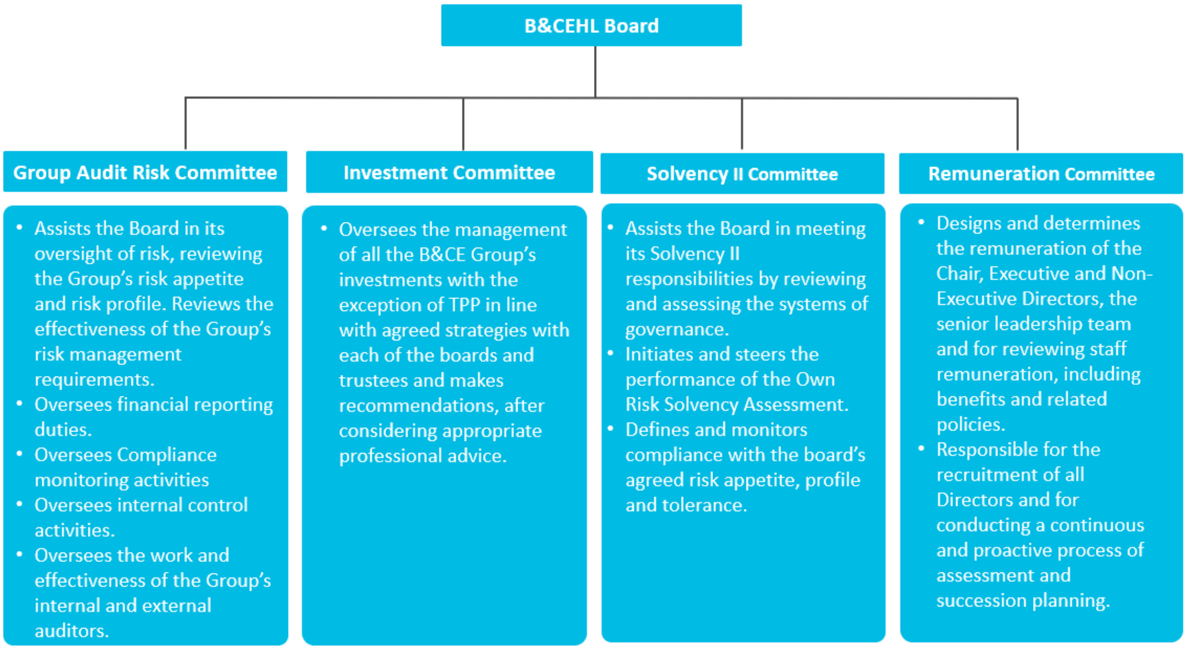
- To set and oversee an effective business strategy. The Boards bring objectivity and judgement to the strategic planning process and ultimately approve, on an annual basis, the strategic plan.
- To ensure risk is properly monitored and managed. This has been delegated to the Group Audit and Risk Committee (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 4 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 Chief Risk Officer, 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 Chief Risk Officer 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 Chief Human Resource Officer also attend the meetings of this Committee.

Internal Governance Groups

The Executive Committee has responsibility for the day to day oversight of the business as a whole, including but not limited to oversight of the business plan and budget, ensuring the operational and financial performance is consistent with the business risk appetite. It has established internal governance groups to ensure there is a balanced focus on the running of the business, monitoring of risks, delivery of change and overall success of the business plan.

The following committees report into the Executive Committee:

- The Executive Risk Committee assist with the oversight and management of risk, compliance and audit, ensuring that the Executive Committee has appropriately considered matters prior to their escalation to GARC.
- The Executive Investment Group has responsibility for overseeing investment operations and portfolios 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 operating environment is consistent with the business risk appetite. This Committee is further overseen by the Investment Governance Group which provides quarterly updates to the Executive Committee, product fiduciaries and the Board on investment services related activities.
- The Change Committee has responsibility for ensuring that the business has oversight to effectively deliver its key change projects to defined time, cost, and quality measures. This includes overseeing the successful transition of project deliverables to business as usual.
- The Run Committee has responsibility for overseeing delivery against the operational business plan objectives and ensuring high standards of customer service are maintained.
- The Proposition Steering Group oversees product design in accordance with proposition life stage framework and, together with the Market Group, monitors external market developments, risks and their implications.

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

No 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 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.

For 6 months during the year, all Directors agreed to a 20% reduction in remuneration as a mitigation against the impact of COVID-19 on the Group. This is the primary reason for the reduction in Group remuneration.

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.

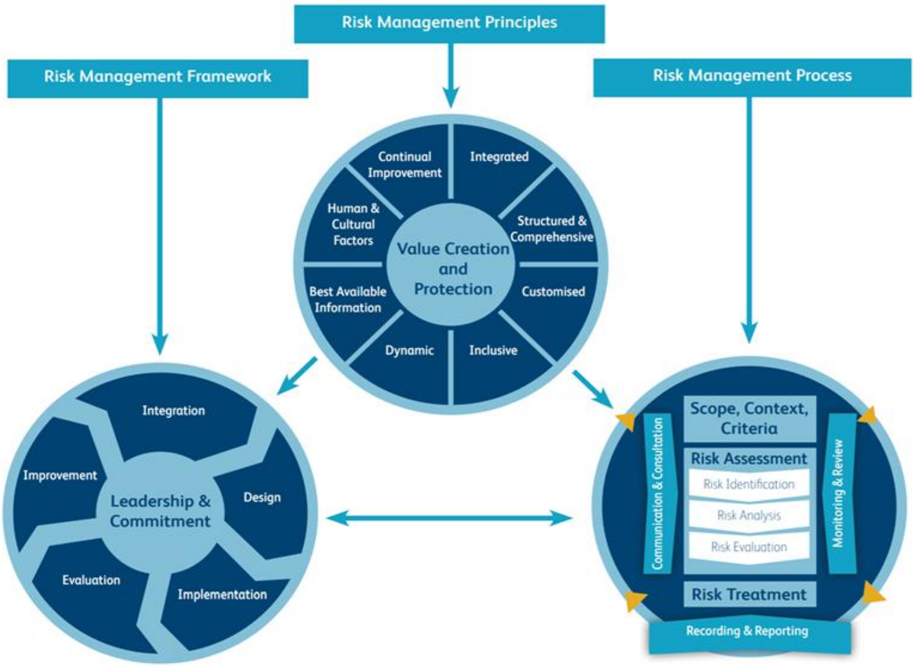
The Group's policy requires the ongoing monitoring of fitness and propriety. This includes a review of ongoing adherence to the conduct standards and continual professional development in annual reviews. The policy requires individuals who are performing a key function to complete a questionnaire self-assessment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

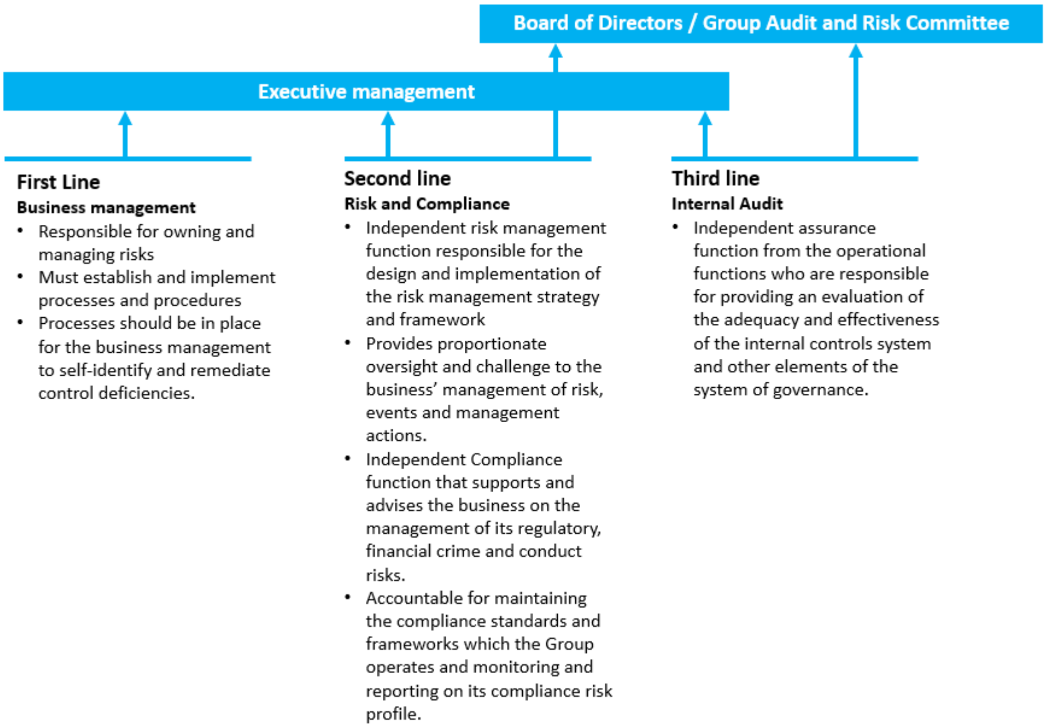
The Group's risk governance framework and ownership structure ensures oversight of, and accountability for, the effective management of risk.

The GARC delegates authority for risk management to the Chief Executive Officer, who delegates to the members of the Executive Committee. During the reporting period, the Group Director of Business Assurance chaired the Executive Risk Committee, which 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 risk function help leaders and managers regularly to understand the risks they face which could impact the achievement of business strategic objectives.
Assessment	Risk owners evaluate the risks that are inherent in our business using quantitative or qualitative measures which facilitates a consistent sizing and categorisation.
Manage	Action plans are used to ensure risk exposure is maintained at, or brought back within, risk appetite, to address control weaknesses or manage remediation (if necessary) following an event.
Monitor	Our risks are mapped to a risk category to support effective monitoring and reporting.
Report	Our risk management framework is structured to report and support the review of ongoing and emerging risks.

Risk management objectives

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 strategic, operational, insurance, market and credit risk to enable and assist it to undertake its primary activity of providing pensions following the closure of many insurance based products.

Our risk objective and appetite are shown below:

Risk objective	Risk appetite statement
Stable and efficient	Maintain a minimum Financial Strength Ratio of 150% for B&CEIL and the Group as a whole.
Protect the interests of the Group and members	The Group has no appetite for risks events resulting in permanent brand/reputational damage, poor customer outcomes, fines or prosecutions and other types of non-budgeted operational losses associated with the Group's conduct and activities.
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.

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 insurance (a combination of life and health underwriting risk), 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 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 continue to increase as the income from The People's Pension exceeds the administration costs incurred by the Group.

The Group's risk profile is stable and is materially unchanged from last 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. It addresses all key risks that the Group has identified (both internal and external) that are applicable to the Group and considers the business strategy and required capital over a five-year period.

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

The last report was presented and approved by the Board in November 2020. It was the only ORSA report produced during the reporting period which is consistent with the stable nature of the Group.

The main stages in the ORSA process are as follows:

- Review ORSA framework and policy
- Review business plans, risk registers and risk appetite statements
- Review, assessment and reporting from the risk function
- Stress and scenario tests determined and recommended to model by the Chief Actuary
- Issuing of the final ORSA for Board approval and submission to the PRA

Throughout the year, the Group monitors performance as well as monitoring risk and capital management information which may result in additional ORSAs being created if specific triggers occur.

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 Chief Risk Officer. 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 Chief Risk Officer 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 Chief Risk Officer and the Chair of GARC set 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 Chief Risk Officer, 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’s imperative the internal audit function acts as an independent, objective assurance and consulting function. The function constitutes an integral element of the Group’s governance 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 the organisational independence of the function to GARC at least annually.

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 B&CE Insurance Limited 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. The 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	Chief Operating Officer	UK
Deloitte MCS Ltd	Actuarial function	Chief Finance Officer	UK
OAC plc	Actuarial services – general insurance	Chief Finance Officer	UK
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	Chief Finance Officer	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.

Our external auditor undertook an audit of the Group for the 12 months ended 31 March 2021. The audit report was reviewed by the GARC in July 2021 before the Group's 2021 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 2021 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.

All material information regarding the system of governance has been covered in the above sections.

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.

There has been no material change to our risk profile during the reporting period. Our risk exposure is driven by the activities of B&CEFSL (and specifically The People's Pension) given the rapid increase in size (both in terms of its membership and assets under management).

The most material element of the Group in terms of size and exposure to risk are:

- B&CEFSL, which is the Group recipient of the income from The People's Pension. This exposes the Group to risk of lower than expected future income from TPP due to poor fund performance (market risk) or due to lapses.
- Asset holdings across the Group exposes the Group to market risk.

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 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.

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 very limited appetite to expand its insurance activities. A strategic review of RapidCash and Personal Accident was undertaken in 2019, supported by the ORSA report with a proposal to close the products in 2020. These products closed on 30 September 2020.

The Group has underwriting risk predominantly in the following area:

- **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

Health underwriting risk is through the Employer Accident Cover.

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 Solvency Capital Requirement for the underwriting risk module at 31 March 2021 was £1.4m (2020: £0.7m).

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 its 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 has exposure to overseas investments:

    - 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 the Group's greatest area of risk exposure as can be seen in the table within C7 on page 39.

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, which is a relatively small proportion of net assets
- 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 follows a robust selection process before appointing them and carries out regular reviews to ensure they are adhering to agreed policies

The overall Solvency Capital Requirement for the market risk module at 31 March 2021 was £8.2m (2020: £1.9m).

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:

- The Board sets credit rating limits and regularly reviews the credit ratings of counterparties
- Administration fees from The People's Pension are normally 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 2021 was £3.8m (2020: £1.2m).

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. 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 2021.

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 insurance business so the future claims liabilities are not material in the context of Group activities.

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 £0.02m calculated in line with the Solvency II standard formula approach.

No material changes to the operational risk profile have occurred during the reporting period. However, from an operational perspective, the Company during the Spring of 2020 changed its focus from predominantly office-based staff, supporting members by telephone, to home-based staff supporting members through a blend of telephone and digital channels

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, however this is now mitigated by the introduction of an annual charge as part of the charging structure within The People's Pension.

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 on 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 2021.

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 and the Group performed several tests when producing the 2020 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.

- **Product performance:** This considers the impact of The People's Pension performing below expectations.

- **COVID-19 impact on the Group**: This considers the impact of COVID-19 on our capital.

- **Global market crisis:** This considers an adverse market movement and a reduced solvency ratio for the reinsurance counterparty Managed Pension Funds.

- **Operational risks**: This considers the impact of a significant exposure to a large cyber-attack and the impact of significant regulatory events.

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 2020 Group ORSA report was approved by the Board on 17 November 2020. The 2021 ORSA report is currently in development at the time of producing this report.

Climate change and its impact on investment performance

In 2019 the PRA published PS11/19 and SS3/19 requiring firms to set out plans for identifying and managing financial risks from climate change. We have identified the potential impacts of climate change on the Group's financial risks:

- We have exposure to physical risks through the underwriting of EAC and ELC
- We have exposure to transition risk through our investment portfolio of TPP - as we move towards a less polluting greener economy we could see some sectors of the economy face shifts in asset values and values of investments could rise/fall sharply which could impact the income FinCo receives. Income from FinCo is based on the AMC of TPP
- We have limited exposure in our own assets as we moved these into lower risk funds in November 2019.

In response to this:

- We have included equity stresses in our ORSA scenarios to show the impact of market risk on the balance sheet
- We have developed a policy on responsible investment and continue to monitor the PRA's expectations to managing the financial risks from climate change

We introduced the low carbon ESG sub-fund within TPP in December 2018 which now has over £2bn in assets and makes up roughly 15% of total TPP assets

Solvency capital requirements

The risk exposures calculated as part of the SCR were:

Breakdown of Group Solvency Capital Requirement (£000)		
Risk	**31 March 2021[1]**	**31 March 2020[1]**
Life Underwriting risk		
Expense	-	20
Total before diversification	-	20
Diversification benefit	-	-
Total	-	20
Health Underwriting risk		
NSLT health underwriting	216	307
Health catastrophe	1,319	510
Total before diversification	1,535	817
Diversification benefit	(146)	(159)
Total [2]	1,388	658
Market risk		
Equity	5,600	-
Interest rate (up)	127	163
Credit spread	2,273	393
Concentration	932	467
Property	975	1,638
Total before diversification	9,907	2,660
Diversification benefit	(1,668)	(731)
Total [2]	8,238	1,929
Counterparty default risk	3,775	1,197
Total risk capital before diversification	13,401	3,805
Diversification benefit[3]	(3,013)	(1,010)
Total risk capital [2 4]	10,389	2,795
Operational risk	23	31
Capital requirement for related undertakings	8,762	6,693
Total Solvency Capital Requirement	19,174	9,519

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 and between these modules.

The ongoing 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 the year, 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 whereby we have supported members through a blend of telephone and digital channels. This necessitated the acquisition and deployment of new IT hardware and software.

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 2021:

Assets	Solvency II £000	UK GAAP £000	Solvency II Movement £000
Deferred tax assets	-	3,200	(3,200)
Property, plant and equipment	3,900	2,701	1,199
Holdings in related undertakings	39,829	-	39,829
Collective investment undertakings	71,011	5,794	65,217
Reinsurance recoverables – Other Life	15	15	-
Insurance receivables	74	74	-
Receivables (trade, not insurance)	19	4,857	(4,838)
Cash and cash equivalents	2,424	102,182	(99,758)
Any other assets, not elsewhere shown	2,141	2,188	(47)
Total assets	119,413	121,011	(1,598)
Liabilities			
Technical provisions – Health	223	73	150
Technical provisions – Other Life	19	18	1
Provisions other than technical provisions	900	-	900
Deferred tax liabilities	36	36	-
Payables (trade, not insurance)	7,017	3,475	3,542
Any other liabilities, not elsewhere shown	27,600	34,896	(7,296)
Total liabilities	35,795	38,498	(2,703)
Excess of assets over liabilities	83,618	82,513	1,105

1. Apparent discrepancy due to rounding

For comparison, 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

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

Holdings in related undertakings

Following Article 171 in the Delegated Acts, the subsidiaries B&CEFSL and PHL 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. PHL is not regulated.

The values for B&CEFSL and PHL 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 £39,829k (2020: £30,352k). They are measured at net asset value under fair value principles and adjusted for intangible assets and inter-company balances. B&CEFSL equates to £39,829k (2020: £29,287k) 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.

Deferred tax assets

The difference between UK GAAP and SII relates to the reclassification of a deferred tax asset of B&CEFSL amounting to £3,200k (2020: £nil) to Holdings in related undertakings.

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 £65,217k (2020: £34,912k), 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.

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 3 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 £65,217k (2020: £34,912k) 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, £65,217k (2020: £34,912k) has been re-classified under collective investment undertakings and £30,769k (2020: £19,791k), relating to B&CEFSL has been re-classified as part of the Holdings in related undertakings.

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 2021.

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)	2021		2020	
	Solvency II	UK GAAP	Solvency II	UK GAAP
Other life insurance				
Best-estimate / reserve	17	18	220	28
Risk margin	2		13	
Total	**19**		**233**	
Reinsurance recoverables	15	15	15	15
Total after allowing for recoverables		**3**		**13**
Workers compensation and Income protection insurance				
Best-estimate / reserve	99	98	294	270
Risk margin	124		52	
Total	**223**		**346**	
Reinsurance recoverables	-	-	-	-
Total after allowing for recoverables		**98**		**270**
Total technical provisions, before recoverables	**242**	**116**	**579**	**298**

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 4 policies in-force as at 31 March 2021 (2020: 7).

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. In 2020, an additional BEL was held to cover administration expenses that exceeded 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 were short-term personal accident policies, classified as 'Income protection', but both are now closed.

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

<u>Other life insurance</u>

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.

<u>Worker's compensation and income protection insurance</u>

The key assumptions used to derive the BEL for EAC are the ultimate loss ratio and run-off, and the level of expected administration and claims expenses. These are derived based on experience (ultimate loss ratio 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 2021	Recoverables from reinsurance contracts 31 March 2020
Other life insurance	15	15
Worker's compensation and income protection insurance	-	-
Total	**15**	**15**

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	2021			2020		
	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	900	-	900
Deferred tax liabilities	36	36	-	59	59	-
Payables (trade, not insurance)	7,017	3,475	3,542	4,893	5,350	(457)
Any other liabilities	27,600	34,896	(7,296)	7,916	15,102	(7,186)
Total other liabilities	**35,553**	**38,407**	**(2,854)**	**13,768**	**20,511**	**(6,743)**

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 (2020: £0.9m) 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 balances relating to B&CEFSL PHL and CBH of £3,842k (2020: £7,643k) have been reclassified to Holdings in related undertakings.

D.4 Alternative methods for 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	2021			2020		
	Tier	£000	%	Tier	£000	%
Reconciliation reserve	1 - unrestricted	83,618	100.0	1 - unrestricted	71,394	100.0
Total		**83,618**	**100.0%**		**71,394**	**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 2021, total available Own funds to meet the SCR and the MCR are £83,618k (2020: £71,394k), all of which is tier 1 - unrestricted. The eligible Own funds over SCR ratio is 436% (2020: 750%) and the eligible Own funds over MCR ratio is 1495% (2020: 1337%).

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 £12,224k from £71,394k to £83,618k. Details of the movement from the 2020 figures can be seen in the table below:

Assets	2021 £000	2020 £000	Movement £000
Property, plant and equipment	3,900	6,550	(2,650)
Holdings in related undertakings	39,829	30,352	9,477
Collective investment undertakings	71,011	40,590	30,421
Reinsurance recoverables – Other Life	15	15	-
Insurance receivables	74	6	68
Receivables (trade, not insurance)	19	-	19
Cash and cash equivalents	2,424	4,263	(1,839)
Any other assets, not elsewhere shown	2,141	3,965	(1,824)
Total assets	**119,413**	**85,741**	**33,672**
Liabilities			
Technical provisions – Health (1)	223	346	(123)
Technical provisions – Other Life (2)	19	233	(214)
Provisions other than technical provisions	900	900	-
Deferred tax liabilities	36	59	(23)
Payables (trade, not insurance)	7,017	4,893	2,124
Any other liabilities, not elsewhere shown	27,600	7,916	19,684
Total liabilities	**35,795**	**14,347**	**21,448**
Excess of assets over liabilities	**83,618**	**71,394**	**12,224**

(1) Technical provisions – Health

The technical provisions in respect of RapidCash, Personal Accident and Employee Accident Cover have decreased over the year. The principal reason is a change in the allocation method for expenses and the closure of RapidCash and Personal Accident during the year.

(2) Technical provisions – Other Life

The decrease in the technical provisions in respect of the Life Insurance Protection product is due to a change in the allocation method for expenses.

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.

	2021 £000	2020 £000
Opening UK GAAP reserves	**82,513**	**69,128**
Adjustments to property, plant and equipment	1,199	3,447
Adjustments to technical provisions	(151)	(281)
Adjustment to non-technical provisions	(900)	(900)
Adjustments to other assets and liabilities	957	-
SII excess of assets over liabilities	**83,618**	**71,394**

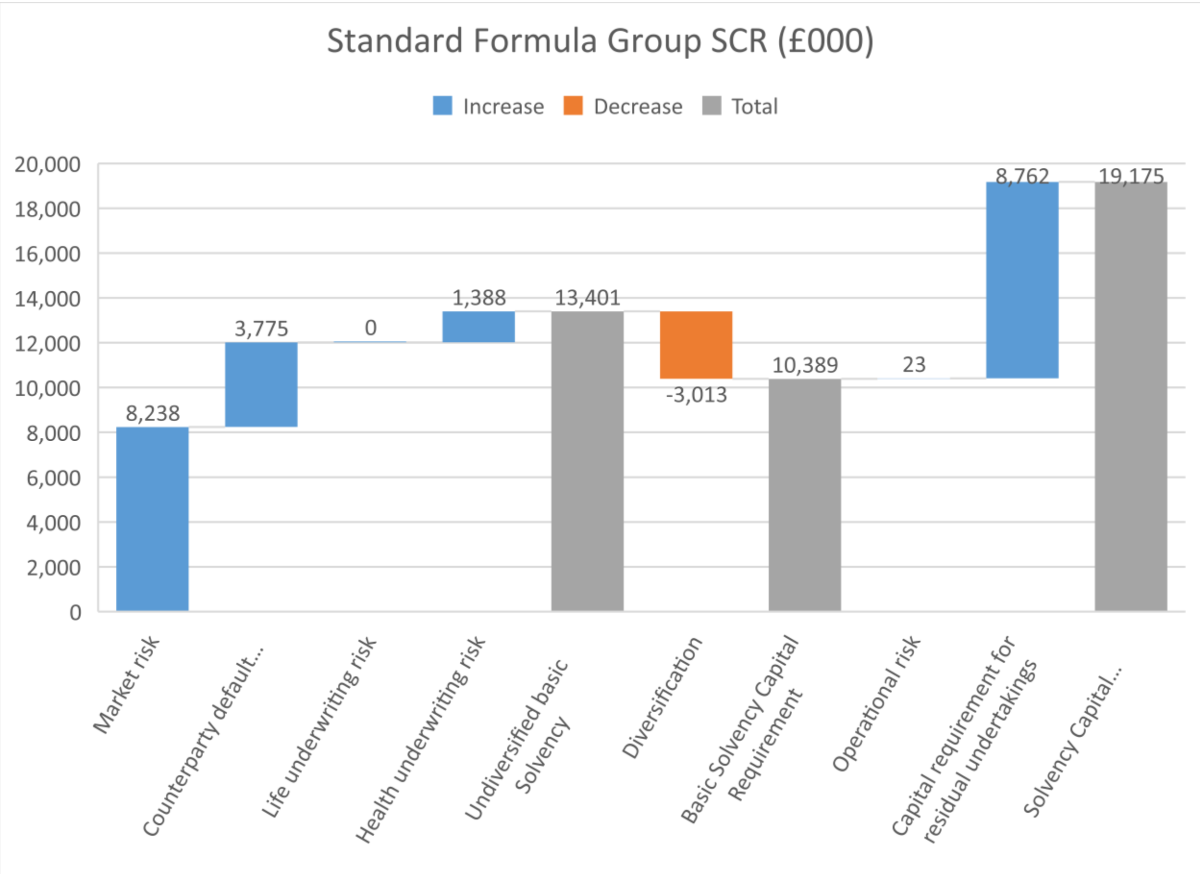
E.2 Solvency Capital Requirement and Minimum Capital Requirement.

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	2021 £000	2020 £000
Market risk	8,238	1,929
Counterparty default risk	3,775	1,197
Life underwriting risk	-	20
Health underwriting risk	1,388	658
Undiversified basic Solvency Capital Requirement [1]	**13,401**	**3,805**
Diversification	(3,013)	(1,010)
Basic Solvency Capital Requirement [1]	**10,389**	**2,795**
Operational risk	23	31
Capital requirement for related undertakings	8,762	6,693
Solvency Capital Requirement [1]	**19,175**	**9,519**

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.

	2021 £000	2020 £000
Linear MCR	70	117
Solo SCR	1,674	1,103
MCR cap (45% of SCR)	753	496
MCR floor (25% of SCR)	419	276
Combined MCR	419	276
Absolute floor of the MCR (€6.2m)	5,593	5,340
Minimum Capital Requirement	**5,593**	**5,340**

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, i.e. 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 2021 and 2020 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:

	2021 £000	2020 £000
Solvency II Own Funds (A)	83,618	71,394
Solvency capital requirements (B)	19,175	9,519
Solvency II free assets (A – B)	64,443	61,875
Financial Strength Ratio (A / B)	**436%**	**750%**

The Financial Strength Ratio has decreased over the year driven primarily by the reduction in surplus of the Staff Pension Scheme over the year as a result of economic volatility. The continued healthy solvency ratio demonstrates that the Group has been able to withstand the volatile market conditions over the year and at 436% remains significantly more than the Board's stated minimum of 150%.

E.3 Use of the duration-based equity risk sub module in the calculation of the Solvency Capital Requirement

The duration based equity risk sub module is not used.

E.4 Differences between the standard formula and internal model used

The internal model is not used.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

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

E.6 Any other information

None.

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
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	3,900
Investments (other than assets held for index-linked and unit-linked contracts)	110,840
Property (other than for own use)	0
Holdings in related undertakings, including participations	39,829
Equities	0
Equities - listed	0
Equities - unlisted	0
Bonds	0
Government Bonds	0
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	71,011
Derivatives	0
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	0
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	0
Reinsurance recoverables from:	15
Non-life and health similar to non-life	0
Non-life excluding health	0
Health similar to non-life	0
Life and health similar to life, excluding health and index-linked and unit-linked	15
Health similar to life	0
Life excluding health and index-linked and unit-linked	15
Life index-linked and unit-linked	0
Deposits to cedants	0
Insurance and intermediaries receivables	74
Reinsurance receivables	0
Receivables (trade, not insurance)	19
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	2,424
Any other assets, not elsewhere shown	2,141
Total assets	119,413

	Solvency II value
Liabilities	C0010
Technical provisions – non-life	223
Technical provisions – non-life (excluding health)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - health (similar to non-life)	223
TP calculated as a whole	0
Best Estimate	99
Risk margin	124
Technical provisions - life (excluding index-linked and unit-linked)	19
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	19
TP calculated as a whole	0
Best Estimate	17
Risk margin	2
Technical provisions – index-linked and unit-linked	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Contingent liabilities	0
Provisions other than technical provisions	900
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	36
Derivatives	0
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	0
Insurance & intermediaries payables	0
Reinsurance payables	0
Payables (trade, not insurance)	7,017
Subordinated liabilities	0
Subordinated liabilities not in Basic Own Funds	0
Subordinated liabilities in Basic Own Funds	0
Any other liabilities, not elsewhere shown	27,600
Total liabilities	35,795
Excess of assets over liabilities	83,618

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			
Gross - Direct Business	161	604	765
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non-proportional reinsurance accepted			0
Reinsurers' share	0	0	0
Net	161	604	765
Premiums earned			
Gross - Direct Business	161	604	765
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non-proportional reinsurance accepted			0
Reinsurers' share	0	0	0
Net	161	604	765
Claims incurred			
Gross - Direct Business	23	87	110
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non-proportional reinsurance accepted			0
Reinsurers' share	0	0	0
Net	23	87	110
Changes in other technical provisions			
Gross - Direct Business	39	158	197
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non- proportional reinsurance accepted			0
Reinsurers'share	0	0	0
Net	39	158	197
Expenses incurred	112	590	702
Other expenses			0
Total expenses			702

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

	Line of Business for: **life insurance obligations**	**Total**
	Other life insurance	
	C0240	C0300
Premiums written		
Gross	1	1
Reinsurers' share	1	1
Net	0	0
Premiums earned		
Gross	1	1
Reinsurers' share	1	1
Net	0	0
Claims incurred		
Gross	0	0
Reinsurers' share	0	0
Net	0	0
Changes in other technical provisions		
Gross	10	10
Reinsurers' share	0	0
Net	10	10
Expenses incurred	196	196
Other expenses		0
Total expenses		196

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					
Ordinary share capital (gross of own shares)	0	0		0	
Non-available called but not paid in ordinary share capital at group level	0	0		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Non-available subordinated mutual member accounts at group level	0		0	0	0
Surplus funds	0	0			
Non-available surplus funds at group level	0	0			
Preference shares	0		0	0	0
Non-available preference shares at group level	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Non-available share premium account related to preference shares at group level	0		0	0	0
Reconciliation reserve	83,618	83,618			
Subordinated liabilities	0		0	0	0
Non-available subordinated liabilities at group level	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
The amount equal to the value of net deferred tax assets not available at the group level	0				0
Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	0	0	0	0	0
Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
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					
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					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial a	0	0	0	0	0
whereof deducted according to art 228 of the Directive 2009/138/EC	0	0	0	0	
Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
Total of non-available own fund items	0	0	0	0	0
Total deductions	0	0	0	0	0
Total basic own funds after deductions	83,618	83,618	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
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	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Non available ancillary own funds at group level	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	0			0	0
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	0	0	0	0	
Institutions for occupational retirement provision	0	0	0	0	0
Non regulated entities carrying out financial activities	0	0	0	0	
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					
Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
Own funds aggregated when using the D&A and a combination of method net of IGT	0	0	0	0	0
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)	83,618	83,618	0	0	0
Total available own funds to meet the minimum consolidated group SCR	83,618	83,618	0	0	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and	83,618	83,618	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	83,618	83,618	0	0	
Consolidated Group SCR					
Minimum consolidated Group SCR	5,593				
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)					
Ratio of Eligible own funds to Minimum Consolidated Group SCR	14.9507				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	83,618	83,618	0	0	0
SCR for entities included with D&A method					
Group SCR	19,175				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	4.3608				

	C0060
Reconciliation reserve	
Excess of assets over liabilities	83,618
Own shares (held directly and indirectly)	0
Forseeable dividends, distributions and charges	0
Other basic own fund items	0
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Other non available own funds	0
Reconciliation reserve before deduction for participations	83,618
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	0
Expected profits included in future premiums (EPIFP) - Non- life business	0
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
Market risk	8,238		
Counterparty default risk	3,775		
Life underwriting risk	0		
Health underwriting risk	1,388		
Non-life underwriting risk	0		
Diversification	-3,013		
Intangible asset risk	0		
Basic Solvency Capital Requirement	10,389		

Calculation of Solvency Capital Requirement	C0100
Operational risk	23
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	10,412
Capital add-on already set	0
Solvency capital requirement	19,175
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0
Minimum consolidated group solvency capital requirement	5,593
Information on other entities	
Capital requirement for other financial sectors (Non-insurance capital requirements)	0
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
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	0
Capital requirement for non-controlled participation requirements	0
Capital requirement for residual undertakings	8,762
Overall SCR	
SCR for undertakings included via D and A	0
Solvency capital requirement	19,175

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	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
GB	213800BB6VMHW8R9AY64	LEI	People's Administration Services Limited	99	Other	2		1.0000	1.0000	1.0000		1	1.0000	1		1
GB	2138009427WX1O2AQR79	LEI	People's Partnership 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
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	0
Investments (other than assets held for index-linked and unit-linked contracts)	19,811
Property (other than for own use)	0
Holdings in related undertakings, including participations	0
Equities	0
Equities - listed	0
Equities - unlisted	0
Bonds	0
Government Bonds	0
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	19,811
Derivatives	0
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	0
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	0
Reinsurance recoverables from:	15
Non-life and health similar to non-life	0
Non-life excluding health	0
Health similar to non-life	0
Life and health similar to life, excluding health and index-linked and unit-linked	15
Health similar to life	0
Life excluding health and index-linked and unit-linked	15
Life index-linked and unit-linked	0
Deposits to cedants	0
Insurance and intermediaries receivables	0
Reinsurance receivables	0
Receivables (trade, not insurance)	0
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	393
Any other assets, not elsewhere shown	621
Total assets	20,840

	Solvency II value
Liabilities	C0010
Technical provisions – non-life	223
Technical provisions – non-life (excluding health)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - health (similar to non-life)	223
TP calculated as a whole	0
Best Estimate	99
Risk margin	124
Technical provisions - life (excluding index-linked and unit-linked)	19
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	19
TP calculated as a whole	0
Best Estimate	17
Risk margin	2
Technical provisions – index-linked and unit-linked	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Contingent liabilities	0
Provisions other than technical provisions	900
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	36
Derivatives	0
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	0
Insurance & intermediaries payables	0
Reinsurance payables	0
Payables (trade, not insurance)	271
Subordinated liabilities	0
Subordinated liabilities not in Basic Own Funds	0
Subordinated liabilities in Basic Own Funds	0
Any other liabilities, not elsewhere shown	1,542
Total liabilities	2,991
Excess of assets over liabilities	17,849

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			
Gross - Direct Business	161	604	765
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non-proportional reinsurance accepted			0
Reinsurers' share	0	0	0
Net	161	604	765
Premiums earned			
Gross - Direct Business	161	604	765
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non-proportional reinsurance accepted			0
Reinsurers' share	0	0	0
Net	161	604	765
Claims incurred			
Gross - Direct Business	23	87	110
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non-proportional reinsurance accepted			0
Reinsurers' share	0	0	0
Net	23	87	110
Changes in other technical provisions			
Gross - Direct Business	39	158	197
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non- proportional reinsurance accepted			0
Reinsurers'share	0	0	0
Net	39	158	197
Expenses incurred	112	590	702
Other expenses			0
Total expenses			702

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

	Line of Business for: **life insurance obligations**	**Total**
	Other life insurance	
	C0240	C0300
Premiums written		
Gross	1	1
Reinsurers' share	1	1
Net	0	0
Premiums earned		
Gross	1	1
Reinsurers' share	1	1
Net	0	0
Claims incurred		
Gross	0	0
Reinsurers' share	0	0
Net	0	0
Changes in other technical provisions		
Gross	10	10
Reinsurers' share	0	0
Net	10	10
Expenses incurred	196	196
Other expenses		0
Total expenses		196

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
Technical provisions calculated as a whole	0			0
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				
Gross Best Estimate		17	0	17
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		15	0	15
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total		2	0	2
Risk Margin	2			2
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	0			0
Best estimate		0	0	0
Risk margin	0			0
Technical provisions - total	19			19

S.17.01.02 Non-life Technical Provisions - Company

	Direct business and accepted proportional reinsurance		Total Non-Life obligation
	Income protectioninsurance	Workers' compensation insurance	
	C0030	C0040	C0180
Technical provisions calculated as a whole	0	0	0
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			
Gross	0	27	27
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0
Net Best Estimate of Premium Provisions	0	27	27
Claims provisions			
Gross	4	69	73
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0
Net Best Estimate of Claims Provisions	4	69	73
Total Best estimate - gross	4	96	99
Total Best estimate - net	4	96	99
Risk margin	5	119	124
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	0	0	0
Best estimate	0	0	0
Risk margin	0	0	0
Technical provisions - total			
Technical provisions - total	8	215	223
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	8	215	223

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

Accident year / Underwriting year	Z0020	Accident year [AY]

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

Development year

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
Prior											0	0	0
N-9	214	108	67	0	0	0	0	0	0	0		0	389
N-8	93	90	15	9	0	0	0	0	0			0	207
N-7	105	84	48	0	0	0	0	0				0	237
N-6	132	60	15	2	0	0	0					0	209
N-5	60	35	18	9	0	0						0	122
N-4	82	48	24	9	15							15	178
N-3	67	86	3	3								3	159
N-2	94	19	9									9	122
N-1	38	69										69	108
N	25											25	25
											Total	121	1,755

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

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
Prior											0	0
N-9	0	0	0	0	0	0	0	0	0	0		0
N-8	0	0	0	0	0	0	0	0	0			0
N-7	0	0	0	0	0	0	0	0				0
N-6	0	0	0	0	0	0	0					0
N-5	0	0	5	0	0	0						0
N-4	0	65	4	0	0							0
N-3	179	35	7	3								3
N-2	104	68	6									6
N-1	193	20										20
N	44											44
											Total	73

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					
Ordinary share capital (gross of own shares)	15,000	15,000		0	
Share premium account related to ordinary share capital	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	2,849	2,849			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
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					
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					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	17,849	17,849	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
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	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	0			0	0
Available and eligible own funds					
Total available own funds to meet the SCR	17,849	17,849	0	0	0
Total available own funds to meet the MCR	17,849	17,849	0	0	
Total eligible own funds to meet the SCR	17,849	17,849	0	0	0
Total eligible own funds to meet the MCR	17,849	17,849	0	0	
SCR	1,674				
MCR	5,593				
Ratio of Eligible own funds to SCR	10.6612				
Ratio of Eligible own funds to MCR	3.1913				

Reconciliation reserve	C0060
Excess of assets over liabilities	17,849
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	0
Other basic own fund items	15,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	2,849
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	0
Expected profits included in future premiums (EPIFP) - Non- life business	0
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
Market risk	R0010	294		
Counterparty default risk	R0020	407		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	1,388		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-438		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	1,651		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	23
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	1,674
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	1,674
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

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

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		C0130
DTA	R0600	
DTA carry forward	R0610	
DTA due to deductible temporary differences	R0620	
DTL	R0630	
LAC DT	R0640	0
LAC DT justified by reversion of deferred tax liabilities	R0650	0
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	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
Linear formula component for non-life insurance and reinsurance obligations	70	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
Medical expenses insurance and proportional reinsurance	0	0	0	0
Income protection insurance and proportional reinsurance	4	161	0	0
Workers' compensation insurance and proportional reinsurance	96	604	0	0
Motor vehicle liability insurance and proportional reinsurance	0	0	0	0
Other motor insurance and proportional reinsurance	0	0	0	0
Marine, aviation and transport insurance and proportional reinsurance	0	0	0	0
Fire and other damage to property insurance and proportional reinsurance	0	0	0	0
General liability insurance and proportional reinsurance	0	0	0	0
Credit and suretyship insurance and proportional reinsurance	0	0	0	0
Legal expenses insurance and proportional reinsurance	0	0	0	0
Assistance and proportional reinsurance	0	0	0	0
Miscellaneous financial loss insurance and proportional reinsurance	0	0	0	0
Non-proportional health reinsurance	0	0	0	0
Non-proportional casualty reinsurance	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0
Non-proportional property reinsurance	0	0	0	0

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

	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
Obligations with profit participation - guaranteed benefits	0		0	
Obligations with profit participation - future discretionary benefits	0		0	
Index-linked and unit-linked insurance obligations	0		0	
Other life (re)insurance and health (re)insurance obligations	0		2	
Total capital at risk for all life (re)insurance obligations		0		23

Overall MCR calculation	C0130
Linear MCR	70
SCR	1,674
MCR cap	753
MCR floor	419
Combined MCR	419
Absolute floor of the MCR	5,593

	C0130
Minimum Capital Requirement	5,593

Notional non-life and life MCR calculation	Non-life activities	Life activities
	C0140	C0150
Notional linear MCR	70	0
Notional SCR excluding add-on (annual or latest calculation)	1,673	1
Notional MCR cap	753	1
Notional MCR floor	418	0
Notional Combined MCR	418	0
Absolute floor of the notional MCR	2,255	3,338
Notional MCR	2,255	3,338

End of report

For more information:

01293 586666

info@bandce.co.uk

www.bandce.co.uk

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