Solvency and Financial Condition Report 2018

Trafalgar Insurance plc

Introduction

Summary

This is the solvency and financial condition report ("SFCR") for Trafalgar Insurance plc ("Trafalgar", "the Company"). Publication of an SFCR is a mandatory requirement of the Solvency II Directive[1] for all insurance companies domiciled in the EU. Solvency II, which entered into force on January 1, 2016, is a comprehensive updating of the way in which insurance companies in the EU are supervised by their local regulators.

The main Solvency II Directive is supplemented by further texts[2] which set out in detail the required contents and structure[3] of the report. This introduction is intended to fulfil the requirement[4] that the SFCR should contain a clear and concise summary, which highlights material changes over the year.

Trafalgar is an insurance company within the Allianz Holdings plc group ("The Group") in the UK which is in runoff. As a runoff entity the plan for Trafalgar continues to be to runoff the Company in line with Solvency II regulation and within the defined risk appetite. Trafalgar ceased to underwrite business during 2006, the remaining material lines of business are annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations and non-proportional marine, aviation and transport reinsurance. The only material geographical area in which the Company carries out business is the United Kingdom.

Further information about the Group's operations in the UK can be found on the Allianz UK website[5]. That website also contains the Allianz Holdings plc Group 2018 Annual Report and Financial Statements, which includes some technical information required for this SFCR.

The ultimate parent undertaking is Allianz Societas Europaea ("Allianz SE"). Globally, Allianz SE is a financial services provider with 92 million clients in more than 70 countries. It had revenue in 2018 of €130.6bn and made an operating profit of €11.5bn. Allianz SE will be publishing its own SFCR for the whole Allianz SE Group. More information about the Allianz SE Group and its operations around the world can be found on the Allianz SE website.[6]

Section A looks at the business and performance of Trafalgar during 2018. It starts with a section describing the legal structure of the Company and its place in the Group before covering the two main sources of the Company's profit – the underwriting of insurance and the investment of the capital held in order to pay future claims. In 2018 Trafalgar made a loss of £60k from underwriting activities and a profit of £360k from investment activities.

Section B looks at the System of Governance. This is the set of rules and processes by which the Company is managed. This section describes the ways in which Trafalgar ensures that its business runs prudently and in compliance with the regulations of Solvency II.

[1] Directive 2009/138/EC, as amended by Directive 2014/51/EU, articles 51 – 56.
[2] Commission delegated regulation (EU) 2015/35, articles 290 - , Implementing Regulation (EU) 2015/2452
[3] See in particular Annex XX, Commission delegated regulation (EU) 2015/35
[4] Article 292, Commission delegated regulation (EU) 2015/35
[5] https://www.allianz.co.uk/about-allianz-insurance.html
[6] www.allianz.com

The Company is run by the Board of Directors, who rely on other managers to operate the Company on their behalf. The actions of those other managers take place within the confines of the System of Governance.

The section confirms that all the required components of the System of Governance are in place. These are:

- Assessment and remuneration policies, to ensure that managers have the skills and capability required to run the Company and that they are paid appropriately;
- Independent safeguarding functions, whose responsibility is to ensure that the managers of the Company understand and manage risks appropriately;
- A process, the Own Risk and Solvency Assessment, by which all risks facing the Company are assessed, managed and reported to the Board.

Finally the section reviews how Trafalgar relies on other companies to undertake some activities on its behalf. Although some activities are outsourced – section B.7 outlines the most material – Trafalgar itself is responsible for the delivery of those activities.

Section C reviews the risks which Trafalgar faces. These are:

- Underwriting Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk

Each kind of risk is covered in turn. The risk itself and the methods for understanding, managing and mitigating that risk are described, and any major concentration of that risk type is identified.

This section confirms that each risk type to which Trafalgar is exposed is appropriately understood, managed and mitigated.

Section D reviews the balance sheet of Trafalgar. The balance sheet is the main mechanism by which the solvency of the Company – the amount of capital it has available to protect it and its policyholders against a shock – is assessed. This section describes the methods used to value the items on that balance sheet in accordance with the Solvency II Directive and explains any significant valuation differences to the valuation applied in the preparation of the Allianz Holdings plc Group 2018 Annual Report and Financial Statements. The Company adopts the same recognition, measurement and valuation policies for IFRS purposes as the Group.

In section D.2 Technical Provisions are considered. . Technical Provisions represent the current amount required to transfer insurance obligations immediately to another insurance entity. They include the funds the Company has put aside specifically to pay future claims, and so they represent the most important part of the balance sheet. They are also the most uncertain, as it is difficult to assess the funds required accurately.

Section E confirms that Trafalgar is able to withstand unexpected shocks according to the standards required by Solvency II regulations. Own Funds refers to the capital available within the Company for this purpose, and section E.1 describes how that capital is managed. It also confirms that the Own Funds are of appropriate quality and will be available if required.

The amount of Own Funds required by Solvency II is defined by the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The MCR is the level of Own Funds below which the Company cannot legally continue to trade, while the SCR is the minimum level treated as acceptable in normal circumstances by the Solvency II regime.

Trafalgar uses the Standard Formula to calculate its SCR. The SCR at 31 December 2018 amounts to £1.0m, and is covered by £38.7m Own Funds (£38.6m Tier 1, £0.1m Tier 3). Trafalgar's Solvency ratio (that is, the percentage coverage of the SCR by Own Funds) is 3934%. Trafalgar's MCR at 31 December 2018 amounts to £3.3m, equal to the absolute floor in MCR set by Solvency II converted at the exchange rate mandated by the PRA.

Finally, the SFCR contains a Statement of Directors' responsibilities.

A. Business and Performance

A.1 Business

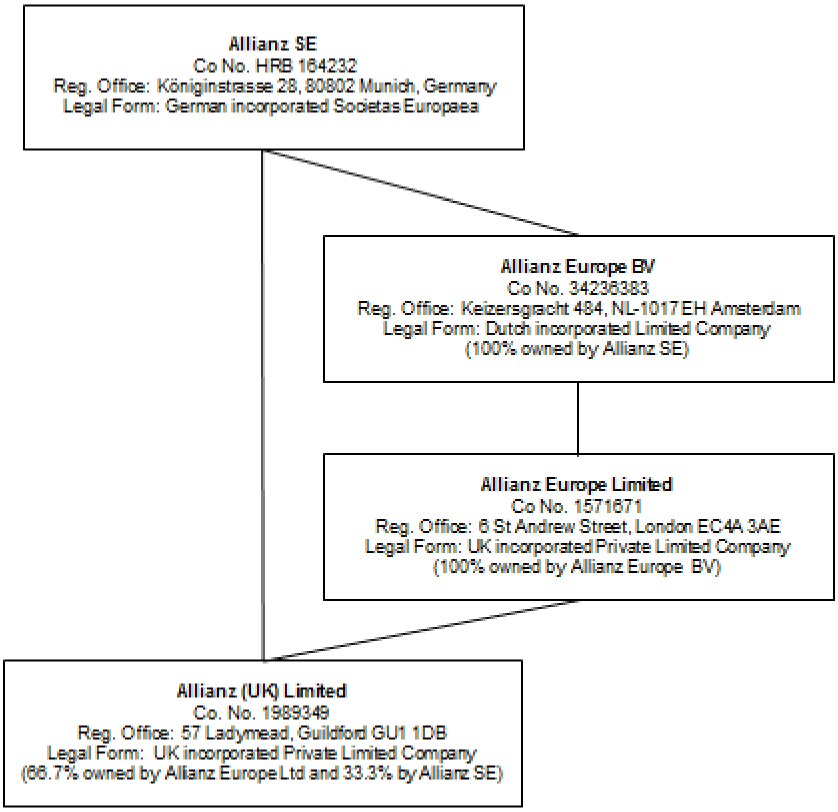
Trafalgar Insurance plc is a public limited company incorporated in the UK under company no 96205.

It is supervised by the Prudential Regulation Authority (PRA), Bank of England, 20 Moorgate, London EC2R 6DA, in respect of financial and prudential matters, and by the Financial Conduct Authority (FCA), 12 Endeavour Square, London, E20 1JN, in respect of conduct matters.

The Company is a wholly owned subsidiary of Allianz SE, of Königinstraße 28, 80802 München, Germany. The German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin), Dreizehnmorgenweg 13-15, 53175 Bonn is responsible for the financial supervision of the group headed by Allianz SE.

The structure charts below describe the structure of Trafalgar within the Allianz SE Group, including the holders of qualifying holdings in the Company, and also its material related undertakings.

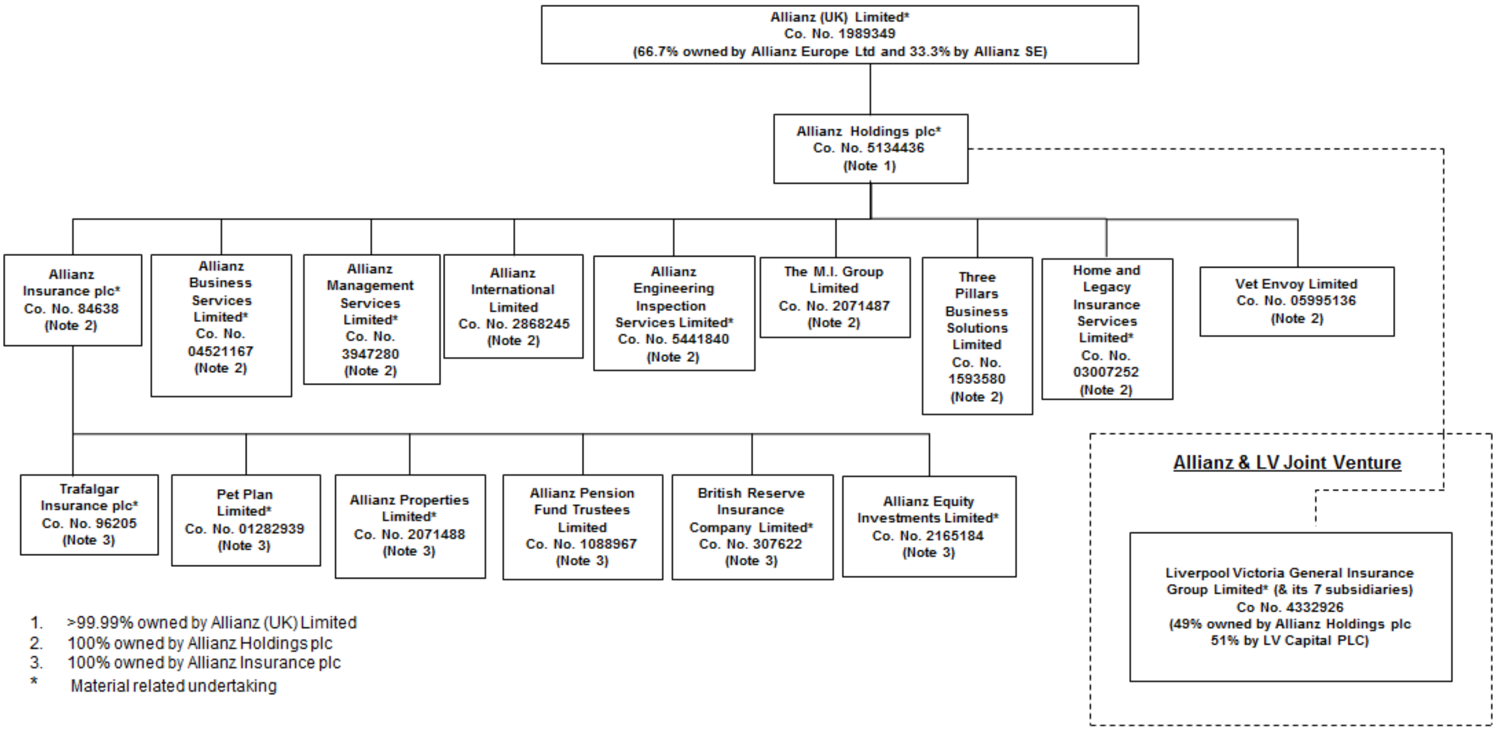
Allianz (UK) Limited and its parent companies



Allianz (UK) Limited and its subsidaries/interests

All Allianz (UK) Limited group ("Allianz UK") companies shown on this page are UK incorporated with registered offices at 57 Ladymead, Guildford, GU1 1DB

All Allianz UK companies shown on this page are private limited companies save for Allianz Holdings plc, Allianz Insurance plc ("Allianz") and Trafalgar Insurance plc which are public limited companies.



Trafalgar ceased to underwrite business during 2006. As a result of historical activity it has provisions in respect of annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations, and non-proportional marine, aviation and transport reinsurance. The only material geographical area in which the Company carries out business is the United Kingdom.

There have been no material changes to the business of the Company during 2018.

A.2 Underwriting Performance

During 2018, Trafalgar made a loss of £60k (2017: loss £40k) from underwriting activities. The fall from 2017 is primarily driven by a decrease in the reinsurance recoverable on gross liabilities.

A.3 Investment Performance

During 2018, Trafalgar made a profit of £360k (2017: £397k) from investment activities.

The asset portfolio is invested entirely in cash and fixed interest securities.

A.4 Performance of Other Activities

In 2018, there were no material items of other income.

B. System of Governance

B.1 General Information on System of Governance

The Board and its Committees

As at December 31, 2018, the Board comprised three directors. The Board is responsible for deciding strategy and for ultimate oversight of the conduct and performance of Trafalgar. It is also responsible for external reporting.

The members of the Board of Trafalgar are:
Simon McGinn
Mark Churchlow[7]
Jon Dye

Trafalgar is managed together with the other subsidiaries of the Group. All committees are responsible for oversight of their subject matter for all companies in the Group. Full information about the governance of the insurance companies within the Group is disclosed in the Solvency and Financial Condition Report of Allianz.

The four key functions required by Solvency II each headed by direct reports of the Chief Executive Officer or the Chief Financial Officer are provided by the respective holders of those functions for Allianz. They are:

Risk Function: Dr. Karina Schreiber – Chief Risk Officer
Internal Audit Function: Andrew Gascoyne – Head of Internal Audit
Compliance Function: Ann Alexander – Group Compliance Officer
Actuarial Function: Philip Singh – Chief Actuary

B.2 to B.6

Within the Solvency and Financial Condition Report for Allianz are descriptions of the remuneration principles, fit and proper requirements, key function authority, operational independence and resource. These also apply to Trafalgar.

[7] Mark Churchlow resigned as a Director of Trafalgar with effect from December 31, 2018.

B.7 Outsourcing

The table below outlines the critical or important operational functions or activities that are outsourced, and the jurisdiction in which the service providers are located. Trafalgar does not outsource any Solvency II key functions outside the Group. They are all provided as part of the Management Services outsourcing shown in the final row of the table.

Activity outsourced	Fellow member of the Allianz SE Group	Outsourcing Provider's Jurisdiction
Handling of runoff claims	Y	United Kingdom
Management Services, including provision of staff	Y	United Kingdom

B.8 Any other Information

Trafalgar continuously monitors the effectiveness of its system of governance, including the effectiveness of specific functions, and believes them to be operating effectively.

C. Risk Profile

Risk is measured and steered using a number of qualitative and quantitative tools. There have been no material changes to the measures used to assess risks during 2018.

Trafalgar has insured only non-life insurance risks. As a result of its asset management activities to support its primary business activities it is also exposed to market and credit risks. As a result of its runoff of motor claims settled by annuities it is exposed to life insurance risks, particularly longevity.

This section provides information on Trafalgar's overall risk profile followed by a description of each risk category in detail.

Trafalgar does not use Special Purpose Vehicles to transfer risk. It is not exposed to risk from positions off its balance sheet.

C.1 Underwriting Risk

Underwriting risk consists solely of reserve risk.

Reserve risk

Trafalgar holds reserves for claims resulting from past events that have not yet been settled. If the claims reserves are not sufficient to cover claims to be settled in the future due to unexpected changes, losses would be incurred. Claims reserves could be under-estimated if, for example, more claims had occurred in the past than have been estimated.

Trafalgar monitors the development of reserves for insurance claims on a line of business level at least annually. There was no material change to reserve risk exposure during 2018.

There is a concentration of reserve risk because the outstanding reserves of Trafalgar relate to a very small number of claims. This concentration is managed by the Directors of Trafalgar, advised by their claims and actuarial advisors. The main mitigation factor in place is the presence of reinsurance, limiting the adverse development possible.

C.2 Market risk

The guiding principle for Trafalgar's investment risk management is the Prudent Person Principle (Article 132 of the Solvency II EU Directive).

Trafalgar meets the Prudent Person Principle by using the expertise of the Allianz Chief Investment Officer, who is backed up by the global and specialist expertise of Allianz Investment Management. It also invests according to a Strategic Asset Allocation (SAA) which defines its long term investment strategy for the investment portfolio as a whole.

When setting up the SAA, care is taken to ensure an adequate target level of quality and security (for example, ratings and collateral) together with a sustainable return as well as sufficient liquidity. Compliance with the SAA is monitored by the Risk function and by the Board Risk Committee with support from the Finance & Investment Committee.

Trafalgar assesses its market risk exposure via quantitative and qualitative processes carried out by the Investment and Risk functions, including regular dialogue between the functions and formal reporting to the Finance & Investment Committee and the Board Risk Committee.

Trafalgar has no material concentration of market risks and no material sensitivity to market risk. Trafalgar does not use derivatives to seek or to hedge risk.

C.3 Credit risk

Trafalgar's credit risk exposure arises from its investment portfolio and reinsurance counterparties. Trafalgar has material concentration of credit risk with the UK government in respect of its investment portfolio and with a fellow subsidiary of Allianz SE in respect of reinsurance. Each concentration is considered appropriate because of the financial strength of the counterparty.

C.4 Liquidity risk

Liquidity risk is the risk that requirements from current or future payment obligations cannot be met.

Trafalgar has negligible liquidity risk because its assets are all readily realisable.

C.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure. These also include external factors other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Trafalgar uses the processes and policies of the Group to manage its operational risk.

C.6 Other material risks

Trafalgar has no other material risks.

D. Valuation for solvency purposes

The scope of this section of the report is to represent the excess of assets over liabilities of Trafalgar valued according to the Solvency II Directive.

The recognition, measurement and valuation policies for IFRS reporting purposes applied by the Group, of which Trafalgar is a member, are summarised in notes 1.4 and 2 to the 2018 Allianz Holdings plc Group Annual Report and Financial Statements (pages 45 - 52)[8]. Trafalgar adopts the same recognition, measurement and valuation policies for IFRS purposes as the other members of the Group. This report summarises any differences to those valuation policies for solvency purposes.

The table below shows the IFRS balance sheet as at December 31, 2018, and the key valuation and reclassification differences between that and the balance sheet used for solvency purposes (Market Value Balance Sheet – "MVBS").

(£000s)	IFRS	Reclassifications	Valuation differences	MVBS
Assets				
Deferred tax assets	-	-	74	74
Investments				
Government Bonds	30,567	294	-	30,861
Corporate Bonds	9,238	115	-	9,353
Accrued Interest	409	(409)	-	-
Reinsurance recoverables	6,664	-	1,858	8,522
Reinsurance receivables	34	-	-	34
Receivables (Trade, not insurance)	11	-	-	11
Cash and cash equivalents	49	-	-	49
Total Assets	**46,972**	**-**	**1,932**	**48,904**
Liabilities				
Technical provisions				
Best estimate- non life	5	-	-	5
Risk margin- non life	-	-	-	-
Best estimate- life	7,392	-	2,137	9,529
Risk margin- life	-	-	300	300
Insurance and intermediaries payables	182	-	-	182
Deferred tax liabilities	24	-	(24)	-
Other liabilities	232	-	-	232
Total Liabilities	**7,835**	**-**	**2,413**	**10,248**
Excess of Assets over Liabilities	**39,137**	**-**	**(481)**	**38,656**

There were no changes made to the recognition and valuation bases used or of the methodology for estimations during the reporting period.

[8] https://www.allianz.co.uk/about-allianz-insurance/company-info.html#financials

D.1 Assets

Receivables are measured at nominal value with an adjustment for a provision for bad or doubtful debts under IFRS and MVBS, unless the market value deviates materially from the adjusted nominal value. In that case, the market value is used in the MVBS.

Where there are quoted prices in active markets for identical assets, these assets are classified as “Level 1”. Investments classified as Level 1 are reported in the MVBS at the value included under the IFRS accounts. Where there are inputs other than quoted prices that are observable either directly or indirectly these assets are classified as “Level 2”. According to Article 10 of the Delegated Regulation 2015/35, Level 2 investments are valued using quoted market prices in active markets for similar assets with adjustments to reflect factors specific to the asset, including the condition or location of the asset, the extent to which inputs relate to items that are comparable to the asset and the volume or level of activity in the markets within which the inputs are observed. The value used for the preparation of the IFRS accounts is considered a fair approximation of the market value according with Solvency II rules, therefore no adjustment has been made except for the reclassification of the accrued interests presented in the caption “Other assets” under IFRS. The split of investment classifications is provided in the table below.

£’000	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
Government and government agency bonds	25,063	5,798	–	30,861
Corporate bonds	–	9,353	–	9,353
Total	**25,063**	**15,151**	**–**	**40,214**

For the following classes of asset there is no material difference in valuation between the MVBS and the IFRS accounts: cash and cash equivalents. Full details of the valuation methodology used are disclosed in the 2018 Allianz Holdings plc Group Annual Report and Financial Statements referred to above in the introduction to this section.

Deferred Taxes

Deferred taxes, except deferred tax assets arising from the carry forward of unused tax losses, are valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with the Solvency II Directive, and the values ascribed to assets and liabilities as recognised and valued for tax purposes. The valuation difference relating to deferred taxes mainly results from differences in technical provisions and insurance receivables for Solvency II.

Temporary differences between the Solvency II value of the assets and liabilities and their corresponding tax base as defined in IAS 12 are assessed, and any deferred tax asset or liability is adjusted or set up as required. The methods used to value deferred tax assets and/or liabilities under IAS 12 are disclosed in the 2018 Allianz Holdings plc Group Annual Report and Financial Statements referred to above in the introduction to this section.

The tax rates used in the calculation are the applicable UK tax rates. his is a blended rate based on the applicable rate at the time the deferred tax items are expected to reverse. Deferred tax on all other items is calculated at the rate that was in force on the reporting date.

The Solvency II to IFRS valuation differences, their applicable tax rate and deferred tax impact are outlined in the table below.

	Valuation Differences before Deferred Tax	Tax Rate Applied	Deferred Tax Impact	Differences between IFRS and SII
Reinsurance Recoverables	1,858	17%	316	1,542
Best Estimate- life	(2,137)	17%	(363)	(1,774)
Risk Margin- life	(300)	17%	(51)	(249)
Total	**(579)**		**(98)**	**(481)**

D.2 Technical Provisions

Basis

Technical provisions are calculated in respect of all insurance obligations to policyholders.

The value of the technical provisions corresponds to the current amount required to transfer insurance obligations immediately to another insurance entity.

The technical provisions consist of the claims provision, premium provision and risk margin, these elements are calculated separately. Together the claims provision and the premium provision constitute the best estimate liabilities (BEL).

Methods and assumptions

The calculation of the BEL is based on up-to-date and credible information and realistic assumptions and is performed using relevant actuarial and statistical methods.

The claims provision is based on the IFRS claims provision, with the addition of an allowance for future investment management expenses. A payment pattern is applied to each element of the claims provisions to obtain future cash flows, which are discounted to reflect the time value of money in line with Solvency II requirements.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the insurance obligations over their lifetime.

Our approach to estimating future SCRs is based on the current SCR as a proportion of best estimate provisions, adjusted to reflect the increased levels of riskiness of the claims reserves over time. It uses ratios to assess premium risk and reserve risk capital throughout the runoff period, and grossing up factors to scale up for other risks. The cost of capital rate used in the calculation of the risk margin is set by EIOPA at 6%.

The table below shows technical provisions both gross and net of reinsurance by Solvency II line of business.

£000

SII line of business	Gross			Net		
	Claims Provision	Premium Provision	Risk Margin	Claims Provision	Premium Provision	Risk Margin
Non-proportional marine, aviation and transport reinsurance	5	-	0	5	-	0
Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	9,529	-	300	1,007	-	300
Total	**9,534**	**-**	**300**	**1,012**	**-**	**300**

The Solvency II basis has inherent uncertainty around the discount benefit arising from future movements in the yield curve and payment patterns. Other than discounting, the assumptions that have the greatest effect on the movement of provisions are those that affect the expected level of claims. These can come from a number of sources, including, but not limited to:

- longevity of annuity claimants being different from that expected;
- future inflation rates in paying annuities being different from those expected;
- claims reporting patterns being different from those expected;
- claims handling costs being different from those expected.

The only material difference net of reinsurance between IFRS provisions and Solvency II technical provisions is the introduction under Solvency II of a risk margin.

No matching adjustment or volatility adjustment is applied to the risk free yield curve used to discount the technical provisions. No transitional arrangements are applied.

Reinsurance recoverables

Reinsurance recoverables are calculated for the claims provision based on the reinsurance in place.

Material changes in assumptions

Assumptions are subject to a regular review cycle with the period between reviews chosen to reflect the materiality of the assumption. During 2018, there has been an update to the counterparty default assumption, to reflect the latest view. This change has served to reduce the risk margin over the period.

Simplifications

The calculation of the technical provisions is carried out using materially appropriate, complete and correct data and using valuation methods which are appropriate to the nature and complexity of the insurance technical risks. Their limitations are identified and understood. Selection of the appropriate method is based on expert judgement, considering the quality, quantity and reliability of the available data and analysis of all important characteristics of the business.

The method used to calculate the Risk Margin is defined by Solvency II regulation as a simplification.

D.3 Other liabilities

There is no material difference in valuation methodology for any other class of liability. Full details of the valuation methodology used are disclosed in the 2018 Allianz Holdings plc Group Annual Report and Financial Statements referred to above in the introduction to this section.

D.4 Alternative Methods of Valuation

No alternative valuation methods are used.

D.5 Any other information

There is no other material information on the valuation of assets or liabilities

E. Capital Management

E.1. Own Funds

The core objective of the Company's management of capital is to ensure, as far as possible, a solvent runoff of liabilities in line with risk appetite.

The Group maintains a formal capital management policy, and capital management planning is embedded within the main planning process, with a time horizon of three years. Capital management protects the Company's Own Funds base in line with the Allianz Risk Strategy and Appetite.

The core element of the approach to capital management is the approval by the Trafalgar Board of any dividends or requests for additional capital. This approval is subject to maintaining an adequate buffer over the SCR.

The current liquidity plan and solvency projections reflect all planned changes in Own Funds for the next 3 years.

There were no material changes over the reporting period with regards to objectives, policies and processes employed by Trafalgar for managing its Own Funds.

The table below shows the breakdown of the Own Funds by Tier, and the SCR and MCR coverage.

	2018	2017
	£m	£m
Tier 1		
Ordinary shares	38.0	38.0
Reconciliation reserve	0.6	(0.5)
Total Tier 1	**38.6**	**37.5**
Tier 3		
Net deferred tax assets	0.1	0.3
Total Tier 3	**0.1**	**0.3**
Total eligible own finds to meet the SCR	**38.7**	**37.8**
SCR (see below)	1.0	1.0
SCR coverage ratio	**3934%**	**3619%**
Total eligible own finds to meet the MCR	**38.6**	**37.5**
MCR (see below)	3.3	3.3
MCR coverage ratio	**1176%**	**1155%**

Only Tier 1 and Tier 2 funds are eligible to meet the MCR so Tier 3 funds have been excluded from the MCR coverage ratio. No Own Fund items for Trafalgar are subject to transitional measures for their inclusion in Tier 1. There are no restrictions on the availability of own funds to support the SCR and MCR, and no matching adjustment portfolio exists. The Company has no subordinated debt, or ancillary Own Fund items. No Own Fund items were issued or redeemed during the year.

The changes in Tier 1 capital over the reporting period are all within the reconciliation reserve.

The significant changes were:

	£m
Profit after tax earned by the Company in the year	0.3
Unrealised movement on investments net of tax	(0.2)
Reduction in risk margin	0.9

The reconciliation reserve is made up of retained earnings and reconciliation adjustments from IFRS to Solvency II balance sheet only.

E.2. Solvency Capital Requirement & Minimum Capital Requirement

Trafalgar uses the Standard Formula to calculate its SCR. The SCR at December 31, 2018 amounts to £983k, and the MCR amounts to £3,281k, equal to the absolute floor of €3.7m set by Solvency II converted at the exchange rate mandated by the PRA. A split of the SCR by the different risk modules is shown in the following table.

Risk Category	**2018** (£000s)	**2017** (£000s)	**Movement** (£000s)
Market risk			
Interest rate risk	623	733	(111)
Spread risk	312	372	(60)
Concentration risk	402	413	(11)
Counterparty risk	270	153	116
Premium and reserve risk	3	3	0
Longevity risk	85	85	(1)
Operational risk	43	44	(1)
Sum of standalone risks	1,737	1,804	(67)
Diversification benefit	(755)	(762)	8
SCR	983	1,042	(59)

The calculation of the MCR follows the methodology described in the Solvency II regulation. It uses the SCR as an input parameter for determining the possible range for the MCR, as well as the standard set of inputs required by the formula-based calculation.

The total diversified SCR has reduced by £59k over the reporting period. This is driven by a reduction in interest rate risk and spread risk as a result of market movements, partially offset by an increase in counterparty risk in respect of Allianz Re Dublin.

E.3 Use of various options in the Standard Formula calculation

Simplifications, undertaking-specific parameters and the duration-based equity risk sub-module are not used.

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

No internal model is used by the firm.

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

Trafalgar has complied continuously with the Minimum Capital Requirement and the Solvency Capital Requirement.

E.6 Any other information

All important information regarding the capital management of the undertaking is addressed in the above sections.

Statement of Directors' responsibilities

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

By order of the Board
Robin Jack-Kee
Secretary
Trafalgar Insurance plc
Registered Number: 96205

27th April 2018

S.02.01.02

Balance Sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	74
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	40,213
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	40,213
Government Bonds	R0140	31,259
Corporate Bonds	R0150	8,954
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	8,522
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	8,522
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	8,522
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	34
Receivables (trade, not insurance)	R0380	12
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	49
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	48,904

Liabilities		
Technical provisions – non-life	R0510	5
Technical provisions – non-life (excluding health)	R0520	5
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	5
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	9,829
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	9,829
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	9,529
Risk margin	R0680	300
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	182
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	231
Total liabilities	R0900	10,247
Excess of assets over liabilities	R1000	38,657

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Premiums, claims & expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance accepted	R0120																	
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140																	
Net	R0200																	
Premiums earned																		
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance accepted	R0220																	
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240																	
Net	R0300																	
Claims incurred																		
Gross - Direct Business	R0310																	
Gross - Proportional reinsurance accepted	R0320																	
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340																	
Net	R0400																	
Changes in other technical provisions																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance accepted	R0420																	
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440																	
Net	R0500																	
Expenses incurred	R0550															19		19
Other expenses	R1200																	
Total expenses	R1300																	19

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Premiums, caims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610						50			50
Reinsurers' share	R1620						69			69
Net	R1700						-19			-19
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900									
Other expenses	R2500									
Total expenses	R2600									

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Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030								9,529		9,529						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080								8,593		8,593						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090								1,007		1,007						
Risk Margin	R0100								-		-						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110								-		-						
Best estimate	R0120								-		-						
Risk margin	R0130								-		-						
Technical provisions - total	R0200								9,828		9,828						

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Non-Life Technical Provisions

		Segmentation for:																
		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to	R0050																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060							18										
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140																	
Net Best Estimate of Premium Provisions	R0150							18										
Claims provisions																		
Gross	R0160															5		5
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected	R0240																	
Net Best Estimate of Claims Provisions	R0250															5		5
Total Best estimate - gross	R0260							18								5		5
Total Best estimate - net	R0270							18								5		5
Risk margin	R0280																	
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290																	
Best estimate	R0300																	
Risk margin	R0310																	
Technical provisions - total																		
Technical provisions - total	R0320							18								5		5
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330																	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340							18								5		5

S.19.01.21 - 01 **Accident**

Non-life Insurance Claims Information

Accident year / Underwriting year	Z0020	Accident Year

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

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											0
N-9	R0160	0	0	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	0	0	0	0	0	0	0				
N-5	R0200	0	0	0	0	0	0					
N-4	R0210	0	0	0	0	0						
N-3	R0220	0	0	0	0							
N-2	R0230	0	0	0								
N-1	R0240	0	0									
N	R0250	0										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	0	0
	R0160	0	0
	R0170	0	0
	R0180	0	0
	R0190	0	0
	R0200	0	0
	R0210	0	0
	R0220	0	0
	R0230	0	0
	R0240	0	0
	R0250	0	0
Total	R0260	0	0

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											5
N-9	R0160	0	0	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	0	0	0	0	0	0	0				
N-5	R0200	0	0	0	0	0	0					
N-4	R0210	0	0	0	0	0						
N-3	R0220	0	0	0	0							
N-2	R0230	0	0	0								
N-1	R0240	0	0									
N	R0250	0										

		Year end (discounted data)
		C0360
	R0100	5
	R0160	0
	R0170	0
	R0180	0
	R0190	0
	R0200	0
	R0210	0
	R0220	0
	R0230	0
	R0240	0
	R0250	0
Total	R0260	5

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	38,000	38,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	584	584			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	74				74
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	38,658	38,584			74
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	38,658	38,584			74
Total available own funds to meet the MCR	R0510	38,658	38,584			
Total eligible own funds to meet the SCR	R0540	38,658	38,584			74
Total eligible own funds to meet the MCR	R0550	38,658	38,584			
SCR	R0580	983				
MCR	R0600	3,281				
Ratio of Eligible own funds to SCR	R0620	39.3438				
Ratio of Eligible own funds to MCR	R0640	11.7596				

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Own funds		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	38,658
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	38,074
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	584
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

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Solvency Capital Requirement (for undertakings on Standard Formula)

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	804	2 - Simplifications not used	
Counterparty default risk	R0020	270		
Life underwriting risk	R0030	85	2 - Simplifications not used	None
Health underwriting risk	R0040	0	2 - Simplifications not used	None
Non-life underwriting risk	R0050	3	2 - Simplifications not used	None
Diversification	R0060	-222		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	940		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	43
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	983
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	983
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

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Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations		**MCR components**
		C0010
MCRNL Result	R0010	1

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160	5	
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	21

Total capital at risk for all life (re)insurance obligations		**Net (of reinsurance/SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	1,007	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation		C0070
Linear MCR	R0300	22
SCR	R0310	983
MCR cap	R0320	442
MCR floor	R0330	246
Combined MCR	R0340	246
Absolute floor of the MCR	R0350	3,281
Minimum Capital Requirement	R0400	3,281