First Central Group Limited

Solvency and Financial Condition Report

For year ended 31st December 2021

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A. INTRODUCTION

This Solvency and Financial Condition Report ('SFCR') has been prepared in compliance with Solvency II regulatory requirements. It contains a range of regulatory disclosures that support information presented in the Quantitative Reporting Templates ('QRTs') shown in section I.

The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) Regulations 2020, being the Solvency II regulations in Gibraltar. The report is not intended to provide a comprehensive review of First Central Group Limited's ('FCGL') business and the market in which it operates, how the business is managed, or performance of the business during the year. This information is detailed in the 2021 Financial Statements.

This SFCR has been prepared in accordance with Article 359 and Articles 290 to 298 of the Commission Delegated Regulation (EU) 2015/35 ('the delegated regulation'). The structure of the report is in accordance with Annex XX of the delegated regulation.

B. EXECUTIVE SUMMARY

This document presents the view of FCGL, which is the holding company of an insurance and technology group registered in Guernsey. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

FCGL has continuously complied with its solvency capital requirement ('SCR') and minimum capital requirement ('MCR') throughout the year. As at the 31st December 2021, FCGL held own solvency funds of £108.9m compared to the SCR of £70.3m, resulting in a SCR coverage of 155.0% (2020: Own funds £115.3m, SCR £56.3m and SCR coverage of 167%). The SCR coverage decreased slightly over the year as a result of competitive market conditions and increased claims following the reduction in Covid-19 lockdowns and restrictions in movement. During the year, the SCR coverage remained within the Board's risk appetite.

FCGL maintained focus on underwriting performance during 2021. FCGL recorded a profit before taxation of £35.1m (2020: £54.4m) and ends 2021 with equity shareholders' funds of £107.0m (2020: £106.5m) after declaring dividends of £26.9m (2020: £6.0m). 2021 saw improved underwriting performance from competitive pricing further to continuous investment in our data and analytical capabilities across distribution, pricing, underwriting, claims and fraud. FCGL was impacted by the Covid-19 pandemic, with a reduction in vehicles on the roads earlier in the year resulting in lower claims frequency and severity. FCGL and SICL had a proactive approach during the Covid pandemic and were able to offset the impacts of the removal of Covid restrictions which saw an increase in claims inflation across the market during 2021.

FCGL's governance and risk frameworks have been further enhanced during the reporting period in keeping with the growth and evolution of the risk profile including a change in its reserving approach detailed further in this report.

An assessment of the adequacy of FCGL's risk management framework was conducted during 2021 including completion of a number of independent engagements. FCGL made a number of enhancements following the assessment such as the adoption of a new, more sensitive risk matrix. The changes are detailed further in this report.

FCGL's risk profile identified that the principal risks to the company include:

- Underwriting Risk, specifically in relation to SICL as the Group's primary risk carrier.
- An increase in excess of loss reinsurance premium, and reinsurance default risk.
- Inappropriate reserving risk, which is borne and managed by SICL.
- Market risk in relation to investments.
- Credit and liquidity risk.
- Operational Risk including outsourcing and information security.

The key risks to FCGL are captured, appropriately controlled, monitored and reported on within the business by FCGL's Risk Management Framework using a 'three lines of defence' approach.

The FCGL Board are satisfied that the business is adequately prepared for, and robust enough to weather, any plausible stress scenarios without detriment to stakeholders.

FCGL continue to monitor developments around the COVID-19 pandemic, Brexit and the invasion of Ukraine closely. The FCGL Board is confident that the FCGL business model and financials are robust, with due regard being paid to colleagues, customers and partners with no significant adverse impact to date including its solvency.

Michael Lee **Date:** 19th May 2022

Group chief Executive Officer
First Central Group Limited

C. BUSINESS & PERFORMANCE

1. Business

FCGL's subsidiaries sell and underwrite motor insurance and related products in the UK market. FCGL is an unlisted, private limited company, based in Guernsey.

Skyfire Insurance Company Limited's ('SICL') is a wholly owned subsidiary of FCGL, licensed in Gibraltar, limited by shares and is the General Insurer for the First Central group of companies (the 'Group').

Since Guernsey is not a Solvency II equivalent jurisdiction, Group supervision is carried out by the Gibraltar Financial Services Commission. SICL is authorised to underwrite the following insurance classes in the United Kingdom:

Class	Type of insurance business
3	Land vehicles
7	Goods in transit
10	Motor vehicle liability
16	Miscellaneous financial loss
17	Legal expenses
18	Assistance

The contact details of the regulator are:

Gibraltar Financial Services Commission
PO Box 940
Suite 3, Atlantic Suites
Gibraltar
Tel: +350 200 40283
https://www.fsc.gi

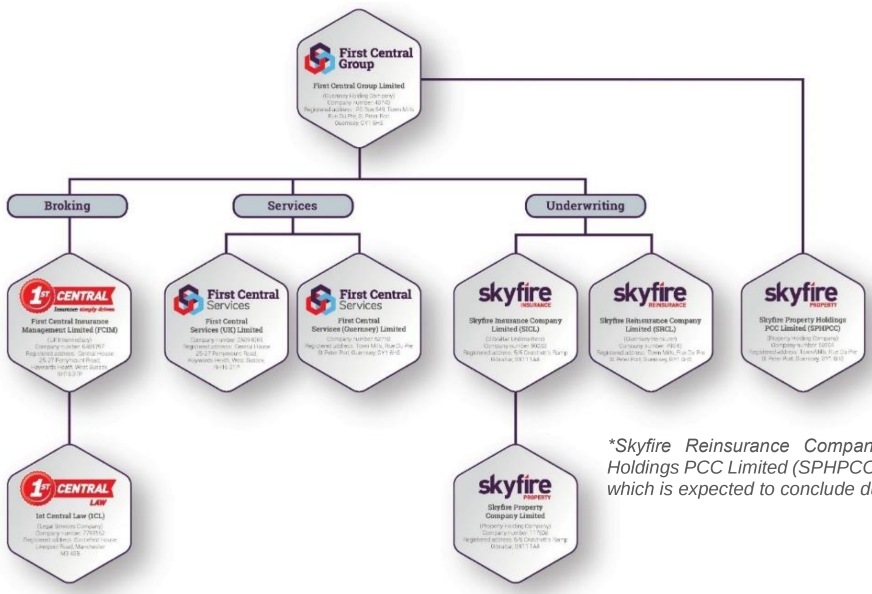
The contact details of the external auditor are:

Deloitte LLP
Merchant House
22/24 John Mackintosh Square
Gibraltar
https://www2.deloitte.com/gi/en.html

FCGL shareholders with qualifying holdings (>10%) are:

- Kenneth Acott
- Patrick Tilley
- Peter Creed

The chart below shows the Group's structure. FCGL owns 100% of the entities within the Group except 1st CENTRAL Law Ltd. of which it owns 75%.



Skyfire Reinsurance Company Limited ('SRCL') and Skyfire Property Holdings PCC Limited (SPHPCC)are in the process of a voluntary winding up, which is expected to conclude during 2022

Company	Jurisdiction	Function
First Central Group Limited ('FCGL')	Guernsey	Provides Group senior management oversight, corporate governance, finance, information security and procurement functions. It owns and licenses the core Group IT systems, the 1st Central brand and related intellectual property. FCGL also seeks and manages any external capital required to support the business of its subsidiaries.
First Central Services (Guernsey) Limited ('FCSGL)	Guernsey	Manages, develops and distributes FCGL's IT systems to administer the entire insurance distribution, underwriting and processing function. Provides a capital facility for premium finance for FCIM's customers.
Skyfire Insurance Company Limited ('SICL')	Gibraltar	General insurer of the Group's UK motor book.
Skyfire Reinsurance Company Limited ('SRCL')	Guernsey	Historically provided reinsurance capacity to SICL. SRCL is unrated. Liabilities have been transferred to SICL and SRCL will be voluntarily wound up during 2022
First Central Insurance Management Limited ('FCIM')	UK	Intermediary, claims handler, premium finance provider and provider of debt recovery and UK Marketing services.
First Central Services (UK) Limited ('FCSUKL')	UK	Provides group support services including HR, Management and Financial Reporting, Financial Planning, MI & Data, Business Change and IT services.
1st Central Law Limited ('1CL')	UK	An ABS structure between FCIM and Horwich Cohan Coghlan (75% owned by FCIM), providing 1st Central policyholders with legal support following an accident
Skyfire Property Holdings PCC Limited '(SPHPCC')	Guernsey	A protected cell company incorporated to hold certain of the Group's property investments. Will be voluntarily wound up during 2022.
Skyfire Property Company Limited ('SPCL')	Gibraltar	A property investment holding company, which is a subsidiary of SICL.

2. Significant Events during the reporting period

i: Cyber Incident

During 2021, the Group experienced minor operational disruption as a result of information security incidents, which impacted 1st Central Law Ltd and First Central Services Guernsey Ltd ('FCSG'). However, there was no material impact.

Independent reviews were carried out by NCC Group to provide assurance to the Group Boards that no data was lost, and no personal data compromised, as a result of these incidents.

ii. Pandemic Risk

Throughout the course of 2021, the Covid-19 pandemic ('Covid') continued to cause uncertainty across almost every economy, industry and sector. The market reported COR for 2020 was 89% as per data provided by Deloitte during the Gibraltar insurance seminar held in 2021. It is estimated to include c2.5% of additional margin given the deflationary impact Covid lockdowns during the year.

Market softening in 2020 and 2021 has been offset to an extent by the reduction in claims frequency as a result of the Covid restrictions. As the restrictions are now removed, total claims inflation across the market increased significantly in 2021 driven by the underlying cost inflation and the return to the assumed new normal levels of frequency after the pandemic.

FCGL has responded proactively during Covid using its existing business continuity plans, and implementing new, robust processes where required to support its customers and colleagues. FCGL continually monitored the impact of Covid restrictions on colleagues throughout the year, particularly the impact of remote working. The FCGL Board and senior management have been proactive in monitoring the impact of Covid throughout the year, through quarterly surveys and fortnightly town calls, and have provided enhanced support to all colleagues, across all jurisdictions through a number of ways, including the introduction of a new Flexible Working Policy that we intend to maintain indefinitely.

The Group continue to monitor commercial, legal and regulatory developments relating to Covid. Despite the forecasting challenges caused by Covid and changing driver behaviours this year, FCGL continued to grow profitably in a very competitive market.

iii. Civil Liability Act

The whiplash reform elements of the Civil Liability Act ('CLA') went live for injury claims arising from accidents from 31st May 2021. The Official Injury Claim ('OIC') portal, an independent system used by the whole market, experienced some initial teething problems which led to an initial drop in volumes, however despite this FCGL have seen a sustained reduction in frequency in line with competitors in the rest of the market.

It remains uncertain if this continue and/or if claim notifications could simply be delayed. We have not yet observed any catch up in late notified claims and continue to monitor this closely.

We also expect significant cost savings, and our early experience is in line with the savings per claim we have assumed, but at the time of writing very few claims under the new OIC portal have settled. The FCGL and SICL boards will continue to closely monitor this, tracking the emerging experience as claims develop. This monitoring will enable the FCGL and SICL to determine the impact of the CLA on claim costs and allow these savings to be reflected in lower premiums for policyholders, in line with the UK Financial Conduct Authority's ('FCA') expectations.

iv. General Insurance Pricing Practices

The FCA implementation of the General Insurance Pricing Practices ('GIPP') in 2022 aimed to create parity across new business and renewal prices. GIPP has made a significant impact on the market. FCGL anticipates an improved competitive position within the market driven by price equalisation between new business and renewals as competitors with large back books are compelled to increase their new business prices more than FCGL.

3. Underwriting Performance

SICL motor premium written in the UK via freedom of services from Gibraltar, for the year ended 31st December 2021, was £384m (2020: £288m).

The higher premium volumes led to higher claims incurred, however this was offset to some extent by an increase in salvage income arising from a market wide increase in second hand vehicle prices. As second hand car prices are inflated as a result of shortages of parts, extending lead times for new cars this will lead to additional benefits from salvage which will serve to mitigate the effects of inflation.

Market prices softened significantly during the first half of 2021 but have seen a slight increase in market price during the second half of 2021.

FCGL experienced an improved competitive position during 2021 as well as an improvement in underlying underwriting performance as a result of its capability improvements across Underwriting, Pricing, Claims and Counter-Fraud.

All premiums written are single premium policies (i.e. one single premium to cover the life of the policy), payable either annually upfront or in instalments.

FCGL's 2021 profit includes Operating Profit of £36.6m (2020: £56.2m) and finance costs of £1.5m (2020: £1.8m) to give a total profit before tax of £35.1m (2020 £54.4m).

Internal best estimate reserves for accident years 2020 and prior saw some adverse development over the course of 2021.

This arose primarily as a result of a reduction in the expected level of savings on third party damage and small bodily injury claims and reductions in expected recoveries on property damage claims, offset by releases on large bodily injury claims.

The loss ratio for the 2021 accident year is higher than 2020 given the increased vehicle use following the relaxation of Covid restrictions. However, excluding the impact of Covid, improvements in underwriting and technical pricing, and claims initiatives, along with the reduction in bodily injury claims frequency as a result of the CLA changes, mean that the 2021 underlying loss ratio is lower than 2020.

4. Investment Performance

The table below shows a breakdown of investment income by type for both 2021 and 2020 for FCGL:

FCGL	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Bank and investment interest income	1.4	0.9
Loan interest income	1.5	1.2
Realised gain on investments	0.1	0.4
Unrealised loss on investments	(0.2)	(0.7)
Investment income	**2.8**	**1.8**

FCGL's Investment and interest income in 2021 was £2.8m (2020 £1.8m). The underlying net rate of return for the year the FCGL's cash and investments was 0.58% (2020: 1.37%).

5. Overall performance of the Company

Below is a table outlining the profitability of the company split by technical and non-technical elements.

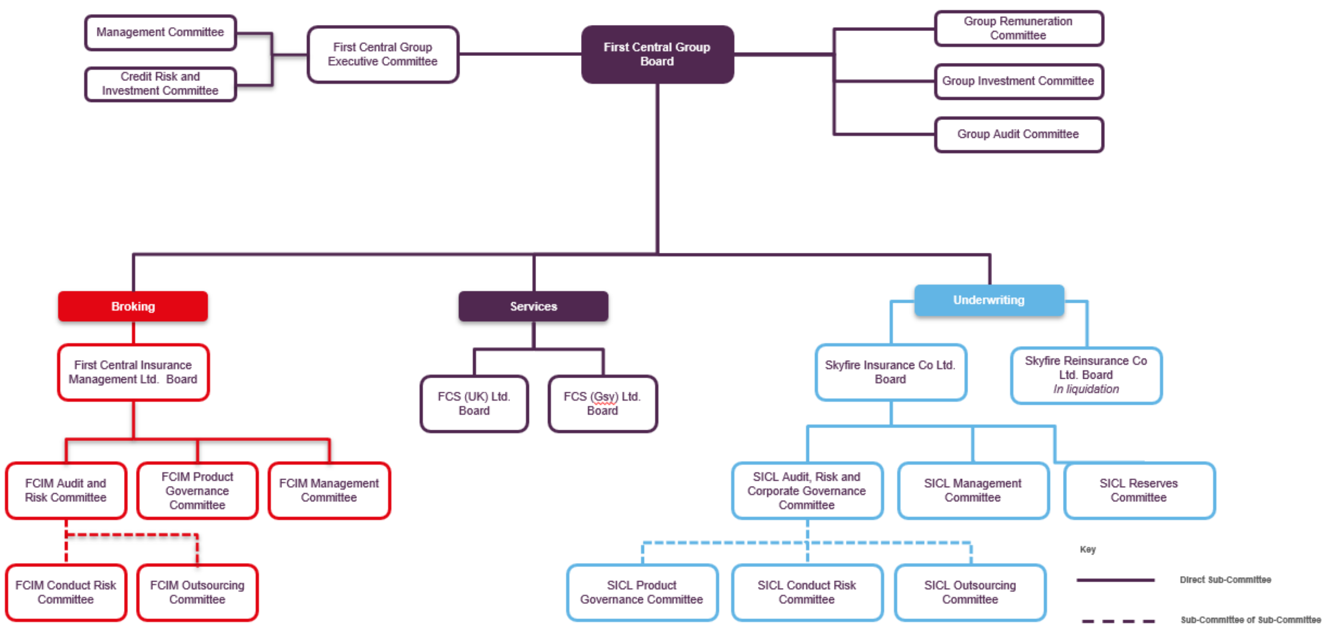
FCGL Summary of Comprehensive Income	FCGL (£m)	
	31 December 2021	31 December 2020
Earned premiums, net of reinsurance	69.8	33.3
Commissions, fees and expense contributions	237.8	188.5
Investment income and related expenses	2.7	1.6
Claims incurred, net of reinsurance	(85.9)	(55.5)
Change in other technical provisions, net of reinsurance	(25.6)	5.3
Net operating expenses	(162.2)	(117.1)
Operating Profit	**36.6**	**56.2**
Finance costs	(1.5)	(1.8)
Profit before tax	**35.1**	**54.4**
Tax	(6.4)	(3.3)
Profit after tax	**28.7**	**51.1**

D. SYSTEM OF GOVERNANCE

1. General Information on System of Governance

The FCGL Board is responsible for ensuring the long-term, sustainable success for the Group and its shareholders, and is the principal decision-making body for the Group. To achieve this, the Board oversees governance arrangements across the Group, which are set out through FCGL's Corporate Policies. Within this framework, the SICL Board and FCIM Board have the responsibility for governance of SICL and FCIM respectively, which must align with minimum expectations set by the FCGL Board.

The Boards have delegated authority to a number of Committees empowered to oversee the governance of key risk areas of the Group, in accordance with approved Terms of Reference. The principal Committees for FCGL are: The Group Remuneration and Nomination Committee ('RemNomCo'), Group Investment Committee ('GIC'), Group Audit Committee ('GAC') Group Executive Committee ('ExCo') and Group Reserves Committee ('GRC'); with SICL having the Audit, Risk, Compliance, and Corporate Governance Committee ('ARCGC'), Management Committee ('ManCo') and, with effect from Q1 2022 following the commutation of SRCL's liabilities to SICL it has invoked its own Reserves Committee ('SRC') which has replaced the GRC. FCGL monitors SICL's adherence to the above mentioned standards through GAC, and GAC also has responsibility for overseeing the performance of the ARCGC.



The main responsibilities of the boards, committees, meetings and forums are as follows:

FCGL Board and Sub-Committees

FCGL Board

The FCGL Board's main focus is to formulate and oversee the strategic direction of the Company and Group, the Group capital management, and to consider and review the Company and the Group's operational and financial performance.

Group Audit Committee ('GAC')

GAC's core responsibilities include, but are not limited to:

- Reviewing and challenging, where necessary, the actions and judgements of management in relation to the consolidated financial statements, before submission to, and approval by, the FCGL Board.
- Assessing the scope and effectiveness of the systems of governance established by management to identify, monitor, assess and manage financial and non-financial risks, including review of the Risk Register.
- Reviewing any internal audit reports on the effectiveness of the systems, controls and processes in place.
- Engaging with external auditors and advisors where appropriate.

Group Investment Committee ('GIC')

The GIC oversees and monitors the overall performance of investments made on the Group's behalf, in line with the investment guidelines. GIC also monitors the:

- Investment policies of individual subsidiaries to ensure they comply with the Group Investment Guidelines.
- Performance and adherence of investments against agreed investment risk appetite.
- Performance of the investment portfolio manager.

Group Remuneration and Nominations Committee ('RemNomCo')

The Committee has been delegated authority to review and consider the composition of Boards and Board Committees and the nomination of members thereto. The Committee has also been delegated authority to review and consider the Group's remuneration and advise on specific remuneration structures.

Subsidiary Boards and Sub-Committees

Skyfire Insurance Company Limited Board ('SICL Board')

SICL Board's core responsibilities include, but are not limited to:

- Guiding and overseeing the alignment of SICL's business performance to that of the First Central Group's business plan;
- Oversight of SICL's Capital Management framework, and the SICL Solvency requirements, oversight of Group solvency reporting requirements under Solvency II;

- Considering and approving SICL's key objectives, KPIs and business metrics (reflecting Group requirements);
- Reviewing and evaluating SICL's adherence to core processes, controls and policies in effect across the Group; and
- Reviewing and overseeing the principle activities of the company (i.e. the provision of insurance to the UK insurance market).

Skyfire Insurance Company Limited Audit, Risk, Compliance and Governance Committee ('ARCGC')

The ARCGC's core responsibilities include, but are not limited to:

- Examining and reporting on the level of assurance provided by SICL's risk, internal audit and control environment;
- Reviewing and recommending for approval the SICL annual financial statements;
- Assessing internal and external audit reports prepared in respect of SICL; and
- Engaging with external auditors where appropriate.

Skyfire Insurance Company Conduct Risk Committee ('SICL CRC')

The purpose of the SICL Conduct Risk Committee is to:

- Oversee the SICL approach to ensuring that it meets the needs of customers with good conduct outcomes.
- Ensure that resources, policies and procedures enable the achievement of good outcomes for customers.
- Ensure that risks to good outcomes are managed appropriately.

Skyfire Insurance Company Product Governance Committee ('SICL PGC')

The purpose of the PGC is to provide strategic reviews, performance monitoring and due consideration as to the suitability of insurance products, or any relevant ancillary service offered by SICL. The PGC provides oversight of SICL products during their lifecycle, with specific regard given to the interests of its customers on a quarterly basis.

Skyfire Insurance Company Outsourcing Committee ('SICL OC')

The purpose of the OC, when it will be formed in 2022, will be to ensure that SICL's outsourcing arrangements are effectively monitored and reviewed and remain fit for purpose, and have oversight of outsourced activities, through monitoring of the service quality review process, in line with the agreed Service Level Agreements ("SLAs"). This activity is currently performed through a series of quarterly monitoring meetings, but without the formalities associated with a formal sub-committee of the Board.

SICL Reserves Committee ('SRC')

The purpose of the SRC is to review and considers the SICL's Claims Ultimate Loss Ratio ('ULR') projections so as to recommend to the SICL Board an appropriate ULR, on both a Gross and Net basis for each accident year, and its allocation to a year of account, both at the financial year end and at least quarterly intervals during the year.

Skyfire Reinsurance Company Limited Board ('SRCL')

Historically the SRCL Board provided oversight and monitoring of the reinsurance activities of the business reinsured by SICL.

The Board's main responsibility was to ensure that sufficiently robust controls and processes were in place and that the performance against the core objectives and KPIs was being met. As part of a strategic review of the corporate structure during 2021, the Group agreed to commute SRCL liabilities back to SICL, and cease its internal reinsurance arrangements. SRCL was subsequently de-authorised on 3 December 2021 and is now in the process of a voluntary liquidation.

First Central Insurance Management Board ('FCIM')

FCIM Board's core responsibilities include, but are not limited to:

- Guiding and overseeing the alignment of FCIM's business performance to that of the First Central Group's Strategic Plan;
- Considering and approving FCIM's key objectives, KPIs and business metrics (reflecting Group requirements); and
- Reviewing and evaluating FCIM's adherence to core processes, controls and policies in effect across the business.

First Central Insurance Management Audit and Risk Committee ('ARC')

FCIM ARC's core responsibilities include, but are not limited to:

- Examining and reporting on the level of assurance provided by FCIM's risk, internal audit and control environment;
- Reviewing and recommending for approval the FCIM annual financial statements;
- Assessing internal and external audit reports prepared in respect of FCIM; and
- Engaging with external auditors where appropriate.

First Central Insurance Management Product Governance Committee ('PGC')

The Product Governance Committee is a formal sub-committee of the FCIM Board established to provide strategic reviews, performance monitoring and due consideration as to the suitability of insurance products, or any relevant ancillary service offered by FCIM. The PGC provides oversight of FCIM products during their lifecycle, and how they meet the needs of its customers on a quarterly basis.

FCIM Insurance Company Outsourcing Committee ('FCIM OC')

The primary purpose of the OC, when it will be formed in 2022, will be to ensure that FCIM's outsourcing arrangements are effectively monitored and reviewed and remain fit for purpose, and have oversight of outsourced activities, through monitoring of the service quality review process, in line with the agreed Service Level Agreements ("SLAs"). This activity is currently performed through a series of monitoring meetings, but without the formalities associated with a formal sub-committee of the Board.

FCIM Conduct Risk Committee ('FCIM CRC')

The purpose of the FCIM Conduct Risk Committee is to:

- Oversee the FCIM approach to ensuring that it meets the needs of customers with good conduct outcomes.
- Ensure that resources, policies and procedures enable the achievement of good outcomes for customers.
- Ensure that risks to good outcomes are managed appropriately.

First Central Services (Guernsey) Board

FCS Guernsey Board's core responsibilities include, but are not limited to:

- Guiding and overseeing the alignment of FCS Guernsey's business performance to that of the First Central Group's Strategic Plan;
- Reviewing and overseeing the principal activities of the company (i.e. the provision of technology services to other Group companies); and
- Reviewing and evaluating alignment of FCS Gsy regarding the appropriate adherence to core processes, controls and policies in effect across the business.

First Central Services (UK) Board

FCS UK Board's core responsibilities include, but are not limited to:

- Guiding and overseeing the alignment of FCS UK's business performance to that of the First Central Group's Strategic Plan;
- Reviewing and overseeing the principal activities of the company (i.e. providing HR, Management and Financial Reporting, Financial Planning, MI & Data, Business Change and IT services to other Group companies); and
- Reviewing and evaluating alignment of FCS UK regarding the appropriate adherence to core processes, controls and policies in effect across the business.

Executive and Senior Management Groups and Forums

Group Executive Committee (‘ExCo‘)

The purpose of the ExCo is to manage the day-to-day execution of the Business Plan. The ExCo meet on a frequent (typically weekly) basis to guide and monitor the implementation of objectives, deliverables, policies and other key processes. A more formal monthly ExCo meeting is also held to monitor the Group’s performance against business plan through the KPI’s set under each of the five strategic drivers.

The ExCo is responsible for the delivery of Group corporate objectives, KPIs and business metrics and is the principal Executive forum to oversee the performance of the Group.

ExCo is the formal escalation route of the business to Group Boards and Committees.

Group Executive Steering Group (‘ESG‘)

The ESG is comprised of the Group Executive Management team and is the key forum to review, monitor and challenge the delivery of First Central’s portfolio range of initiatives. The ESG meet on a monthly basis.

Group Credit Risk, Investment Oversight Committee (‘CRIOC’)

The ExCo has established a formal sub-committee, CRIOC, to manage the credit risk exposures of the Group, comprising reinsurance, investment and customer exposures, and to consider the levels of exposure as well as the creditworthiness of counterparties, with the following responsibilities:

- To propose, monitor and review FCGL’s credit risk and investment appetite and manage key risk exposures within the agreed appetite;
- To review operational adherence to the Risk Management Framework and Financial Control Framework;
- To review credit risk and investment strategy on a continuous basis, making recommendations to ExCo, Subsidiary Boards and FCGL Board as appropriate;
- To optimise the efficiency of FCGL’s credit risk and investment strategy and ensure plans are in line with risk appetite and the FCGL Board-approved plan;
- To review the effectiveness of the controls to prevent the crystallisation of known and unknown risks; and
- To review and propose changes to FCGL’s Credit and Investment Risk Appetite.

Group Management Committee (‘ManCo’)

ManCo reports into the ExCo and supports Executive Management in managing the day-to-day execution of the business plan. ManCo has a number of responsibilities relating to strategy and performance, people and culture and risk and compliance, escalating matters to ExCo (and onward to Boards/Sub-committees) as appropriate.

SICL Management Committee (‘SICL ManCo’)
The Board of SICL has established a SICL ManCo to manage and formalise the collective decision making between the Regulated Individuals and Management Forums outside of entity Board meetings, acting within authority levels agreed by the SICL Board.

FCIM Management Committee (‘FCIM ManCo’)
The Board of FCIM has established a FCIM ManCo to manage and formalise the collective decision making between the Senior Managers and Management Forums outside of entity Board meetings, acting within authority levels agreed by the FCIM Board.

2. Material changes in the system of governance

There were the following material changes in the system of governance during the year:

Group:

During a strategic review it was identified that SRCL was adding complexity to the Group structure with relatively little additional value. It was therefore proposed and agreed by the SRCL Board to commute its insurance liabilities to SICL. The commutation was part of a broader corporate strategy to simplify the corporate structure, which will result in SRCL being wound up through a voluntary liquidation process during 2022.

In 2021 FCGL appointed a new iNED, Fiona Le Poidevin in addition to the appointment of a new Group CFO.

SICL:

During 2021 SICL and FCGL completed a number of independent engagements (such as a Board Effectiveness Review by ISCR), in addition to the assurance plan approved by the ARCGC including the Internal Audit Plan and Compliance Monitoring Plan. These were commissioned to ensure SICL, FCIM and FCGL had robust governance and effective processes to ensure that the business plan can be delivered within risk appetite. We have also made significant progress during the year in improving our policy governance framework and risk framework, as well as strengthening our resources in risk and compliance.

A new SICL Management Committee and Conduct Risk Committee has been established. The SICL Reserves Committee was also established in Q1 2022 replacing the Group Reserves Committee following the transfer of liabilities from SRCL.
Two additional SICL Board members have also been appointed to the Group Investment Committee. Product Governance and Outsourcing Committees are to be set up in H1 2022.

FCIM:

As of 01/09/2021 Ben Tomasetti became FCIM Managing Director, after John Kennedy resigned from this position.

A new FCIM Conduct Committee & Management Committee has been established.

i. Remuneration Policy

RemNomCo has responsibility for reviewing and approving specific remuneration and advising on the specific remuneration structures of all FCGL Directors, and nominated senior members of the management team, as well as all employees collectively so as to:

a) Ensure that all colleagues are fairly rewarded for their individual performance and contribution to the Group's overall performance (based upon its objectives); and
b) Demonstrate that the pay of ExCo members is objectively reviewed by a Committee chaired by an iNED.

Remuneration includes salary, incentives (including share incentive plans), bonus, pension, benefits, terms and conditions and contract of employment, discretionary payments, compensatory or settlement terms on loss of office or payments to be made on retirement or resignation. More details relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Remuneration notes within FCGL's 2021 Annual Report.

The remuneration of all executive and Non-Executive Directors is recommended by the RemNomCo to the FCGL Boards, as appropriate.

ii. Distributions to the Group

Dividends of £26.9m (2020: £6.0m) was paid by FCGL to shareholders during the reporting period.

iii. Material related party transactions

Other related party transactions

Cell Charles Street, a cell within Skyfire Property Holdings PCC Limited ('SPH') was converted to a standalone company, Charles Street Investment Limited ('CSIL'), on 23rd December 2020. CSIL was deconsolidated from the FCGL Group during 2021.
SICL's loan of £2.5m to CSIL is repayable on 31st December 2023. The loan continues to be secured over CSIL's ordinary shareholding in an unquoted property holding company.

The total remuneration (including pension contributions) for FCGL's key management personnel for the year totalled £2.7m (2020: £2.2m).

3. Fit and Proper Requirements

SICL has fully adopted the principles and standards of the Gibraltar Regulated Individuals Regime ('RIR'), and FCGL has adopted similar principles of clearly documented accountabilities in line with good practice.

Whilst there is no formal definition of what constitutes 'fit and proper', the following criteria are used when undertaking such assessments:

- honesty, integrity and reputation (e.g. prudent approach to business, good reputation, no convictions for fraud or dishonesty, no regulatory sanctions, regulatory approval);
- competence, ability to conduct business and organisation (e.g. experience, knowledge, no reasonably unmitigable conflicts of interest); and
- financial position (e.g. no history of personal bankruptcy, no history of association with corporate bankruptcy).

The FCGL Board ensures that all Board members, and other key function holders are assessed to ensure that they fulfil fit and proper requirements upon appointment and annually thereafter, and overall board composition and competencies are also considered.

This includes reviewing the CV of the candidate, an in-depth interview, obtaining references (both personal and professional), and carrying out due diligence checks. Due diligence checks include verification of identification and address, and searches on due diligence databases. The candidate is also asked to declare any interests so the Board can review whether they conflict with FCGL's interests. All conflicts of interest identified are recorded on the Conflicts Register and reviewed at each Board meeting.

4. Risk Management System including ORSA

FCGL has implemented a 'three lines of defence' approach to Risk Management and recognises the importance of managing risks faced in the pursuit of its business objectives. The definition of risk adopted by the Group is "*the effect of uncertainty on objectives*", which is a derivation of the ISO31000 Risk Management standard definition of risk. FCGL applies the Group's Risk Management Target Operating Model, along with supporting policies and procedures. These constitute FCGL's Risk Management Framework (the 'Framework'). The Group Risk and Compliance Director and Chief Governance Officer are responsible for ensuring that the Framework is implemented and embedded appropriately, and to provide support and training.

The purpose of the Framework is to provide a systematic approach to risk identification and management. It is reviewed from time to time to take account of the changing environment in which FCGL operates. The Framework revolves around the risk register, which contains details of all risks and controls identified for FCGL (the 'Risk Register'), and the Framework includes a process for monitoring the implementation and efficacy of the controls.

i. Risk Management Process

The risk management process is consistent with ISO 31000, the Risk Management standard, and is comprised of 5 elements:

1) **Identification**;
2) **Assessment**;
3) **Response**;
4) **Monitoring**; **and**
5) **Reporting**.

Risks are assessed on a pre-controls (inherent) and post-controls (residual) basis using a matrix of impact (‘I’) and likelihood (‘L’) scores to arrive at a Critical, High, Moderate or Low rating. The amount of risk the Board will tolerate in the business, which is defined in the Group Risk Appetite Statement, is also considered in the target rating which is arrived at using the same matrix.

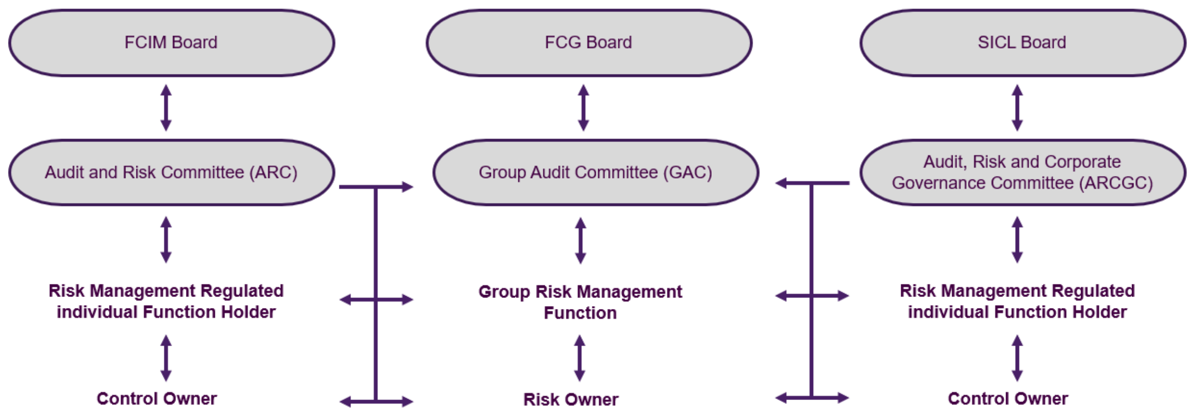
During the reporting period SICL’s solo and the Group’s solvency calculations were completed and the ARCGC, GAC and Boards engaged as necessary to ensure that the SICL solo and the Group SCR were continuously met. SICL ensures that risks to its solvency are monitored and managed through the risk management process.

ii. Risk Management (‘RM’) Roles and Responsibilities

FORUM	RESPONSIBLE FOR
FCGL Board	Ultimate Responsibility for Group RM and business risks; Sets Group RM Culture; Sets Group RM Policy; Sets Group risk appetites and tolerances.
SICL Board	Responsibility for SICL RM and business risks; Sets RM Culture; Sets RM Policy; Sets risk appetites and tolerances.
FCIM Board	Responsibility for FCIM RM and business risks; Sets RM Culture; Sets RM Policy; Sets risk appetites and tolerances.
Group Audit Committee (‘GAC’)	RM across the Group; Oversees RM Culture; Oversees Group RM Policy; Monitors Group risk appetites and tolerances; Escalates risk to the FCGL Board where necessary.

Audit, Risk and Corporate Governance Committee (‘ARCGC’)	Delegated oversight of RM from SICL Board; Reviews business risk profile; Monitors risk appetites and tolerances; Escalates risk to the SICL Board where necessary.
Audit and Risk Committee (‘ARC‘)	Delegated oversight of RM from FCIM Board; Reviews business risk profile; Monitors risk appetites and tolerances; Escalates risk to the FCIM Board where necessary.
Group Risk Management Function	Oversight and challenge of risk management activity across the Group; Ensures consistent application of Group RM Framework across all entities; Reports of the effectiveness of the Group RM Framework to GAC; Advises on RM best practice; Design and implementation of RM training.
Risk Management Regulated Individual Function Holder	Ensures the Risk Register are maintained, including challenging, adding or removing risks; Confirm emerging risks are relevant and appropriate; Ensures appropriate actions are taken if a breach has occurred, or is likely to occur; Monitors Risk Owner activity; Ensures risk and control actions are completed.
Risk Owners	Ensures Risk Register is kept up-to-date, including adding or removing risks; Identifies and monitors emerging risks; Maintains risk within risk appetite and acts if a breach has occurred, or is likely to occur; Monitors control owners’ activity; Monitors completion of actions regarding mitigating measures and/or controls.
Control Owners	Review controls on risk assessed frequency; Assess and provide evidence of control efficacy.

Risk Management interactions is shown in the diagram below:



iii. Own Risk Solvency Assessment (‘ORSA’ or ‘the Assessment’)

SICL is responsible for completing an Own Risk Solvency Assessment (‘ORSA’), which is subject to Solvency II, and covers both the view of the consolidated Group and SICL’s view as the principal insurance company.

The ORSA’s main purpose is to ensure that the Group and SICL assess all the risks inherent to their businesses and determine the corresponding capital needs or identify other means needed to mitigate these risks.

In particular, the ORSA considers situations in which the Group and SICL may be stressed. This is to examine whether the capital needs and mitigation measures necessary in these scenarios are sufficient to ensure that the business is prepared for, and robust enough to withstand, adverse conditions without detriment to stakeholders. The capital need identified in order to run SICL and Group is assessed by management using its own internal models which are deemed to be prudent and is termed the economic capital requirement (‘ECR’).

While the Risk Register focuses on risks from a bottom-up perspective, the ORSA takes a top-down approach, linking business objectives, business risks, risk appetites and tolerances, business planning and capital planning together. The results of the ORSA also feed back into the risk management process, ensuring that all risks identified are incorporated into the assessment, management, monitoring and reporting cycle.

An ORSA is carried out at least annually on the assumption that the solvency needs and capital position are not volatile, and the business’ risk profile is stable. However, a revised ORSA will be carried out in specific circumstances which include, but are not limited to:

- A material change to SICL’s reinsurance arrangements (not included within a previous ORSA);
- A variance to GWP in the business plan of >20%, whether up or down;
- New products or jurisdictions being considered (not included within a previous ORSA);

- A breach of risk tolerance threshold for an area of risk in which the stated risk appetite is 'averse', which is accepted rather than mitigated; and
- As required by the ARCGC, GAC and/or Executive Committee.

The ORSA is embedded into the business and capital planning processes. The proposed business plan is used to calculate the regulatory capital requirement (from the SCR calculation) and the ECR (from the ORSA). Both of which are considered by the relevant Board alongside the business plan. The business plan is then either approved including any capital requirements and sensitivities.

5. Internal Control System

FCGL's Group Internal Control Policy documents the procedures in place within the Group, to ensure there is an effective internal control framework in place. The internal control system is managed through both the effective operation of the systems of governance in place within the Group, as well as through the 'three lines of defence' model implemented by the Group.

The internal control framework is broadly defined as the processes, effected by the Board of Directors which are designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations in view of FCGL's risks and objectives;
- Availability and reliability of financial and non-financial information; and
- Compliance with applicable laws, regulations and administrative provisions.

Internal control consists of five interrelated components:

- Control environment: sets the tone of an organisation through the business plan, risk appetite and risk profile;
- Risk assessment: understanding the assessment of the risks which exist which would impact on the Group and SICL's ability to achieve their objectives;
- Control activities: policies and procedures that help the Group and SICL ensure necessary actions are taken to address risks to achieve their objectives;
- Information and Communication: pertinent information must be identified, captured and communicated in a form and timeframe that allows relevant individuals to carry out their responsibilities; and
- Monitoring: internal control systems need to be monitored to assess their effectiveness over time. This is accomplished through ongoing monitoring activities, with deficiencies in the internal control framework reported to senior management and the Board.

These components work to establish the foundation for sound internal control within the Group through directed leadership, shared values and a culture that emphasises accountability for control.

The Group's control environment is determined by the FCGL Board of Directors, supported by a number of Committees who have set the tone of the organisation through the culture, principles, business plan and risk appetite. SICL follows these standards set by the Group.

Key control activities are mapped to the risks held within FCGL's risk register.

i. Responsibilities

First Line of Defence: Management

Are accountable for the day-to-day management of risk and are responsible for identifying and managing controls as part of their accountability for achieving objectives. This is achieved through implementing the risk management and internal control management system.

Second Line of Defence: Risk Management and Compliance

The Second Line is formed of the Risk Management and Compliance functions, who specialise in the management of risk and provide the policies, frameworks, tools, techniques, and support to facilitate the effective management of risk by the First Line. They are also responsible for providing internal assurance that the risk management and internal control system is operating effectively and also provide an advisory service to the First Line on Risk and Compliance matters.

Third Line of Defence: Internal Audit

Provide independent assurance to the Boards regarding the effectiveness and adequacy of governance, risk management and internal control in the Group, across both First and Second lines. The FCGL Board has appointed an external provider, Mazars LLP, to fulfil the Internal Audit function. This brings a systematic, independent, and disciplined approach to the assurance provided to the Board.

ii. Compliance Function

The Group Risk and Compliance function is responsible for the design, implementation, monitoring, and review of the Group's Risk and Compliance processes as well as the identification and communication of any new requirements arising from changes in regulation. Group Compliance, along with Group Risk, oversees the First Line processes for identifying, owning and ongoing management of Conduct Risk, including the implementation of new regulatory requirements.

SICL and FCIM's Compliance functions operate within this framework, the Group Risk & Compliance Director and the SICL and FCIM Compliance function holders provide regular reports to the GAC, ARCGC and ARC to monitor compliance risk and appetite, and escalate to the Boards as appropriate. The SICL and FCIM Compliance function advises the ARCGC and ARC, which advises the Board, on the strategic direction for SICL and FCIM on Compliance matters and provides oversight and assurance to the Boards over the effectiveness of the first line areas in delivering its regulatory responsibilities and adherence to the rules and guidelines set by the Gibraltar FSC, FCA and other regulatory bodies as applicable.

The Group Compliance function works with the Group Risk function, SICL Compliance function holder, FCIM Compliance Function holder, SICL Risk management function holder and FCIM Risk management function holder to provide advice and resolution to risk incidents as they arise. Management of incidents that may impact customers, colleagues or the Group's objectives are completed in line with the Group Risk Management Policy.

iii. Internal Audit ('IA') Function

Internal Audit's primary role is to assess the level of assurance that can be obtained on risk management, governance and controls by evaluating whether the frameworks are operating effectively and agree recommended actions to be taken where issues are identified. Its secondary role is to provide advice to management in developing such frameworks. FCGL has implemented its Group Internal Audit Charter ('GIAC') which outlines requirements, how the function will be performed.

FCGL Board has appointed an Internal Audit key function holder (''IAKFH'), the Chief Governance Officer, who is responsible for the efficacy of the function and associated tasks. However, FCGL has outsourced the fulfilment of its internal audit programme across the Group to Mazars LLP ('Mazars'), with the function holder retaining responsibility for the delivery of the plan and conducting, with the independent members of the GAC, a quality review of the service provided.

In addition the Chief Governance Officer has been appointed by FCIM Board as a separate IA key function holder ('IAKFH') and a Non-Executive Director ('NED'), has been appointed by SICL Board as a separate IAKFH. Both are responsible for the efficacy of the function and associated tasks relating specifically to FCIM and SICL respectively. FCIM and SICL also rely on the outsourced arrangement with Mazars to fulfil its internal audit requirements. The FCIM and SICL function holders retain responsibility for the delivery of the plan and conducting, with the independent members of the ARC and ARCGC, a quality review of the service provided.

Mazars commenced the outsourced Internal Audit model in 2019 and the relationship is managed by the Chief Governance Officer at a Group level, the FCIM IAKFH and the SICL IAKFH.

The core principles of the Group Internal Audit Charter ('GIAC') and the Mazars outsource model are:

- Independence

Mazars report, and are accountable, to GAC, ARC and ARCGC which are responsible for their effectiveness and efficiency. IA acts independently of line management and has a direct reporting line to the GAC, ARC and ARCGC to raise any issues identified. This allows Mazars to carry out their work effectively and to retain the independence of the function and the outputs generated.

GAC, ARC and ARCGC are composed primarily of NEDS with a material presence of independent non-executive directors ('iNEDs').

- Audit Strategy

Mazars have established, with input from management, a rolling three-year Internal Audit Plan and maintain this, with input from the IA function holders. This is reviewed by GAC, ARC and ARCGC at least annually and is risk based to ensure alignment with the Group and SICL's strategic objectives laid out in the business plan.

- Annual Plan

Mazars prepare an annual plan based upon the audit strategy, which is presented to, and approved by, GAC, ARC and ARCGC. This outlines the audits to be performed in the forthcoming year. The scope and frequency of audits included within the plan takes previous year audit results into consideration, along with a risk assessment of business activities, materiality and the adequacy of systems of internal control. The plan aims to include specific coverage of Finance, Operational Departments, Information Technology and Special Projects (at the request of GAC, ARC or ARCGC).

GAC, ARC and ARCGC monitor performance against the annual plan throughout the year, and the IAKFH report any significant deviations during the quarterly reporting cycle. This may include significant changes to the business plan, to reflect the need to address different or emerging risks and issues.

- Audit Recommendations Log

Up until 31 December 2021, Group Risk maintained a log of all internal audit recommendations raised during audits completed. This log records the priority of the recommendations, the assigned owners and agreed completion dates. Risk maintain the log to ensure all actions are addressed in a timely manner and in preparation for follow-up review by Mazars, and provide quarterly progress reports to GAC, ARC and ARCGC. As of 1st of January 2022, the process and Audit recommendation log will be owned by Mazars.

- Reporting

The reports produced for each internal audit assignment are provided directly to GAC, ARC or ARCGC, as appropriate. ExCo receive copies of reports for audits with adverse opinions ('needs improvement' or worse). The reports contain details of the audit work that has been performed, explanations of the issues or gaps identified, with proportional and appropriate recommendations, together with the relevant manager's comments. All recommendations are fully discussed with the relevant process and action owner, with target completion dates agreed.

Mazars IA provides a quarterly report to GAC, ARC and ARCGC, detailing work undertaken during that period against the agreed IA plan, and progress against the logged target dates.

iv. Actuarial Function

The SICL actuarial function supports Group activity, where required. For example, the Group solvency calculation and ORSA. Willis Towers Watson, a third-party actuarial service provider is engaged to provide an external validation of SICL's reserves twice yearly, as well as to provide ad-hoc support on matters to inform the opinion taken by the actuarial function and GRC.

SICL's actuarial function holds the responsibility for ensuring actuarial services are effectively and efficiently carried out. SICL's Head of Reserving, the Actuarial key function holder ('AKF'), provided regular reports to the GRC (and will report to the SRC with effect from 1 January 2022), and an Actuarial Function Holder report directly to the SICL Board on an annual basis.

The actuarial function is responsible for:

- calculation of technical provisions;
- ensuring appropriate methodologies and underlying models are used, as well as verifying the assumptions made in the calculation of technical provisions are appropriate and proportionate;
- assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- comparing best estimates against experience;
- informing the Board of the reliability and adequacy of the calculation of technical provisions;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management system.

Each of these activities is undertaken at least annually, and the outcome reported to the SICL Board in the AKF report.

During 2021 the SICL Board approved the decision, and received the endorsement of the GFSC, to move to using internal Actuarial Best Estimate ('ABE'). Prior to this, SICL had used the ABE provided by independent, external actuaries. A twice yearly, external actuarial review is still carried out with the GRC reviewing both the internal ABE and external view, and prudently reserving on the basis of this.

6. Outsourcing

FCGL's outsourcing arrangements are monitored by the appropriate business area, with support from Group Procurement & Supplier Management function. FCGL views outsourcing as being the use of a third party to perform activities on a continuing basis that would normally be undertaken within FCGL. The third party to whom an activity is outsourced is a 'service provider'.

FCGL utilises outsourcing arrangements that shall not diminish its ability to fulfil its obligations to customers, the regulators, nor impede effective supervision by any applicable regulator.

Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of FCGL's processes, and the final responsibility for customers, is not outsourced.

FCGL considers outsourcing where it sees particular advantages in doing so e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, or cost benefits.

FCGL relies on a number of material services providers to ensure that customer and operation service is provided in a timely and consistently across the Group.. FCGL has an outsourcing policy, which describes how it takes the decision to outsource, how a service provider is selected, and how the relationship is defined, managed and monitored.

Material Service Providers during the reporting period:

Service Provider	Service Provided	Jurisdiction Located
Robus Risk Services (Guernsey) Limited	Insurance Management (compliance tasks, risk management tasks, company secretarial, banking & investments, regulatory reporting)	Guernsey
Robus Risk Services (Gibraltar) Limited	Insurance Management (compliance tasks, management tasks, company secretarial, banking & investments, regulatory reporting)	Gibraltar
Mazars LLP	Internal Audit	UK
Parkstone Limited	Claims supplier management	Ireland
Teleperformance Limited	Policy sales and administration (telephony)	UK & South Africa
Vanguard Vehicle Services Limited	Vehicle salvage services	UK

7. Adequacy of the System of Governance

FCGL aims to continuously improve its systems of governance by reviewing, evaluating, and recommending improvements to the Board at least annually. These improvements cover enhancing and developing the systems, including the outcomes from compliance monitoring programme, root cause analysis from complaints, breaches and incidents, and incremental development as the systems mature. It has adopted the Wates Corporate Governance Principles for Large Private Companies and also considers relevant industry advice and guidelines, implementing these as appropriate for the size and complexity of the Group.

Internal and external audits provide independent evaluation of FCGL's system of governance. Recommendations from these audits are considered by the GAC, and Board, and are implemented proportionate to FCGL's risk profile.

E. RISK PROFILE

The FCGL Board is responsible for determining risk strategy and risk appetite across the Group, and for the Group's system of risk management and internal control. The FCGL Board has delegated the development, implementation and maintenance of the Group's risk management framework to GAC for the purposes of reviewing and reporting on the overall effectiveness of this system.

The efficacy of each control is assessed by the relevant risk owner as part of a fixed review process, in conjunction with the Risk management function holder, Robus Risk Services and Group Risk (where required) with this attestation used to make the assessment of the Group's exposure. The performance of controls that relate to specific risk causes are aggregated and subject to a qualitative review in order to assess the overall exposure.

Each risk area also has a tolerance agreed by the FCGL Board and by responsible executives to support management in understanding of risk appetite and to allow for the identification of incidents. For example, the tolerance for Information Security Risk (for which FCGL has a generally cautious appetite or averse when it comes to sensitive data) is aligned to the Group Risk appetite, which has been approved by the FCGL Boards. The information security risk methodology and assessments, backed by the implementation of best practice controls, is used to manage information security risks. KPIs and assurance reviews are designed in order to measure alignment with ISO27001 and track automated controls, manual controls and incidents in order to allow expert review and assessment of exposure.

FCGL has further enhanced its risk management frameworks during 2021, redefining the specific risks across the full risk spectrum that are applicable to the businesses in the Group. The Risk Register has been rewritten and re-rated based on a new, more sensitive, risk assessment matrix. In addition, the Group Risk Appetite Statement has been reviewed and been strengthened, particularly with regard to how KRIs and tolerances are measured and reported.

As a result of this activity, FCGL has enhanced its maturity in respect of its overall understanding and management of the risk profile of the business and will continue to develop this in the future to reduce or remove any the residual gaps that may be identified.

The following risks are monitored and managed within the Group Risk Management Framework:

1. Underwriting Risk

Ongoing underwriting risk for the Group is managed and monitored by the SICL Management Governance Framework. Efficacy of controls across this risk management framework are maintained by conducting regular reviews, continuously improving mitigating measures and reporting this control cycle feedback to the ARCGC, GAC and Boards.

SICL was the primary risk carrier in the Group during the reporting period, with SRCL acting as the Group's internal reinsurer, reinsuring some of SICL's risks on a quota share reinsurance arrangement until 30 September 2021.The internal reinsurance programme ceased thereafter, and the historical risks ceded to SRCL up to this point were commuted back to SICL.

As the only insurer in the Group, SICL presents an underwriting risk in circumstances where the ultimate cost of claims for the risks underwritten is significantly in excess of the premiums collected for those risks, and the regulatory solvency capital retained by it. Any shortfall in required regulatory solvency capital can be mitigated through FCGL and SICL's ability to raise additional solvency capital (e.g. issuing subordinated debt, extending quota share cessions, de-risking the investment portfolio, raising of equity capital and other measures documented in FCGL and SICL's Boards approved Recovery Plan). The key risk to manage, therefore, on an ongoing basis is the adequacy of premiums charged in relation to insurance business underwritten, reserves and capital.

i. Reinsurance

FCGL relies on a quota share and excess of loss reinsurance programme to mitigate its underwriting risk and provide greater flexibility over the volume underwritten. It mitigates its counterparty risk by applying a policy of using A- or above rated (by AM Best or S&P) reinsurers. The cession on the quota share programme for 2021 was 60%, in line with 2020.

ii. Reserving

FCGL Reserving risk is borne and managed by SICL as, SICL was the primary risk carrier in the Group during the reporting period. Inappropriate reserving will result in the claim reserves being materially inaccurate. This could result in the reserves that FCGL hold being insufficient to cover customer claims or other liability obligations owed by it. Alternatively, over-reserving could result in understating profit recognition, capital strain and inappropriate pricing impacting FCGL's competitive position.

Ongoing pricing and underwriting risk is managed and monitored by the FCGL Management Governance Framework. Efficacy of controls across this risk management framework are maintained by conducting regular reviews, continuously improving mitigating measures and reporting this control cycle feedback to the ARCGC, GAC and Boards.

The GRC (and the SRC with effect from 1 January 2022) reviews and considers the Group's Claims Ultimate Loss Ratio ('ULR') projections so as to recommend to the SICL Board an appropriate ULR, on both a Gross and Net basis for each accident year, and its allocation to a year of account, both at the financial year end and at least quarterly intervals during the year.

2. Market Risk

FCGL is exposed to market risk in relation to its investments. This investment risk is mitigated by a cautious risk appetite under which FCGL conservatively invests in UK gilts, sovereigns, supranational, agency bonds, money market funds and cash. The GIC regularly reviews its investment risk appetite and maintains a conservative strategy. The GIC and management closely monitor all investments and receive quarterly property updates from the Group Chief Finance Officer, who is responsible for overseeing the investment and property loan portfolio. Following a tender process in 2021 the Group appointed Abrdn as its new investment manager and the portfolio is expected to transition to the new manager by the end of Q1 2022.

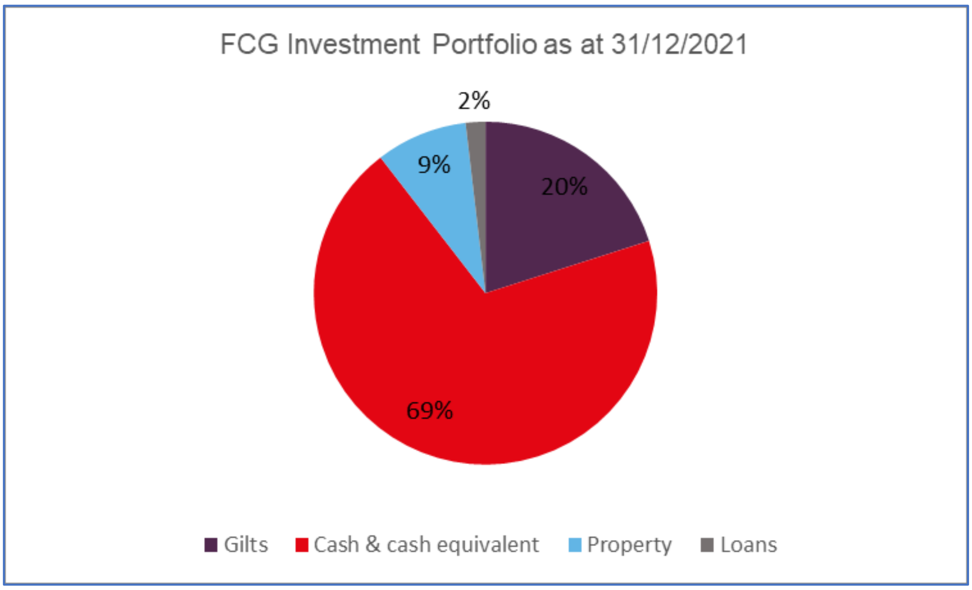
i. Prudent Person Principle

Solvency II has introduced the Prudent Person Principle for managing investments. The Prudent Person Principle seeks to ensure that the industry understands and can manage its investment risks. Specifically, insurers must be able to demonstrate that they can properly identify measure, monitor, manage, control and report on their investment risks and not place reliance upon information provided by third parties.

FCGL's risk management and strategic decision-making process in respect of asset investment is centred on the GIC. The GIC is an FCGL Board sub-committee. The governance process for material asset investment decisions can be summarised as follows:

1. **Review**
   - Management review of asset classes, asset managers and proposed assets
   - Factors considered include: yield, capital, asset and liability duration, diversification, credit quality, liquidity, currency, cost, tax, accounting and environment, social and governance factors.
2. **Proposal**
   - Proposals discussed at Group Investment Committee
   - Senior Management review including Chief Financial Officer
3. **Approval**
   - Investment Policy approved by FCGL Board
4. **Implementation**
   - Management implement Policy
   - Included in the ongoing valuation, income and capital process

FCGL forecasts its cash requirements over a three to five-year horizon based on the business plan, considering forecast claims payment patterns, contractual payments (e.g. XOL and quota share reinsurance payments) and liquidity of the assets. In particular, the bond portfolio is invested in short dated UK gilts, supranational and agency bonds which, along with the cash and cash equivalents held, are designed to approximate the nature and duration of the insurance liabilities. FCGL's investment assets are distributed as follows:



3. Credit Risk

Credit risk is the risk that a counterparty will be unwilling or unable to pay amounts in full when due.

Key areas of exposure to credit risk are:

- Reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts held with banks and other financial institutions; and
- amounts due from an insurance intermediary.

All reinsurance and financial counterparties used have a credit rating of at least 'A-'. The credit rating requirement mitigates counterparty default risk. In 2021, the SICL Board approved a commutation of SRCL's net liabilities to SICL, as part of a broader corporate strategy to simplify the corporate structure, which will result in SRCL being wound up during 2022.

Any shortfall in required regulatory solvency capital is mitigated through measures set out in the Board approved Recovery and Resolution Plans.

4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay the obligations when they are due.

Liquidity risk is assessed and monitored on a day-to-day basis, ensuring that there are sufficient funds available to meet both immediate and foreseeable cash flow requirements. This is done by reviewing balances in bank accounts and investments against expected cashflow requirements, bearing in mind maturities of investments, notice periods for withdrawals, and known substantial expenses (e.g. reinsurance premium payments). A revised liquidity risk policy was approved in December 2021 and updated monitoring on both stressed and unstressed scenarios will be introduced in Q1 2022.

5. Operational Risk

Operational risk is the risk that a firm's internal practices, policies and systems are not adequate to prevent a loss being incurred, either because of market conditions or operational difficulties.

FCGL's key operational risks are:

- Ineffective information security resulting in the inability to preserve the confidentiality, availability or integrity of information, both within FCGL's systems and in those of suppliers and partners;
- Material service providers fail to provide key services owing to being unable to operate, affecting FCGL's ability to service customers and sell policies;
- Financial crime risk, particularly application and claims fraud;
- Poor performance of the reinsurance broker, which FGCL is heavily dependent on to secure reinsurance complete coverage, the best price, and avoidance of unfavourable terms;

Operational risk within FCGL is identified, assessed and monitored through the Risk Management Framework, which is overseen by the GAC; this includes reviewing controls for appropriateness and efficacy. The operational risk capital requirement is calculated using the standard formula.

6. Other Material Risks

i. Brexit

The UK and EU signed a trade agreement prior to the end of the Brexit transition period. The Board continues to monitor (i) the ongoing changes that have arisen from the ratified deal particularly around concerns of potential claims inflation and any potential border frictions as well as (ii) the development of the 'in principle deal' on Gibraltar's post-Brexit relationship with the EU.

ii. Semiconductor Shortage

The shortage of semiconductors which are used widely in automotive production has led manufacturers to cut or suspend production, pushing up both new and used vehicle prices amid demand from consumers.

This in turn has impacted claims cost inflation, particularly for total loss costs, due to the increase in used car prices which are used to calculate a policyholder's claim settlement. However, some of this impact is being offset by improved salvage returns. We believe that this is a temporary impact with market predictions expecting to see deflation in used car prices towards the end of 2022 and into 2023.

iii. Covid

The FCGL Board continues to monitor commercial, legal and regulatory developments relating to Covid. In our 2021 forecast, we had anticipated, a reduction of claims frequency due to restrictions to movement and new more flexible ways of working that resulted in less travelling by car. The year however ended up with a claim frequency level aligned to the assumptions from the ORSA process completed in 2020. The ongoing monitoring and reaction to developments related to Covid remain a key focus for management and the Board.

iv. Invasion of Ukraine

The Russian invasion of Ukraine is a recent event that is developing and is increasing geopolitical uncertainty across the globe. FCGL is not exposed to any Russian and Ukraine assets, and we are therefore not materially exposed to any investment risk volatility. Any inflationary pressure is been monitored closely. At the time of writing, it is not considered that FCGL is unduly exposed in any material degree to this conflict.

F. FCGL VALUATION FOR SOLVENCY PURPOSES

1. Assets

As at 31st December 2021, FCGL held the following assets:

Asset Class	GAAP Accounts Value (£m)	Look Through (£m)	Solvency Valuation Adj. (£m)	Solvency Value (£m)
Investments in properties	17.8	0.0	(15.1)	2.6
Corporate and government bonds	39.5	0.0	0.3	39.7
Collective investment undertakings	0.0	0.0	49.5	49.5
Collateralised securities	0.0	0.0	0.0	0.0
Technical provisions – reinsurance share	478.6	0.0	(200.6)	278.0
Insurance and reinsurance receivables	211.6	0.0	(202.2)	9.4
Cash and cash equivalents	137.6	0.0	(49.3)	88.3
Financial investments - other loans	3.8	0.0	18.4	22.2
Other assets	77.3	0.0	64.8	12.5
Deferred acquisition costs	29.9	0.0	(29.9)	0.0
Deferred taxation	0.0	0.0	6.7	6.7
Derivatives	0.0	0.0	0.0	0.0
TOTAL	**996.1**	**0.0**	**(487.1)**	**509.0**

The equivalent table as at 31 December 2020 is below

Asset Class	GAAP Accounts Value (£m)	Look Through (£m)	Solvency Valuation Adj. (£m)	Solvency Value (£m)
Investments in properties	13.4	0.0	(5.6)	7.8
Corporate and government bonds	60.9	(26.3)	26.7	61.3
Collective investment undertakings	0.0	(9.2)	46.9	37.7
Collateralised securities	0.0	0.0	0.0	0.0
Technical provisions – reinsurance share	377.5	36.1	(154.6)	259.1
Insurance and reinsurance receivables	217.0	0.0	(212.2)	4.8
Cash and cash equivalents	85.5	(0.6)	(37.1)	47.8
Financial investments - other loans	12.2	0.0	5.4	17.6
Other assets	26.5	0.0	(6.0)	20.5
Deferred acquisition costs	23.3	0.0	(23.3)	0.0
Deferred taxation	0.0	0.0	5.1	5.1
Derivatives	0.0	0.0	0.0	0.0
TOTAL	**816.4**	**0.0**	**(354.7)**	**461.7**

The valuation principles applied to these assets are consistent with those used in the GAAP accounts, with the following exceptions:

- Bonds and secured loans – these are quoted instruments in active markets and therefore the market price as at 31st December 2021 has been applied in the GAAP accounts, excluding accrued interest. On the Solvency II balance sheet, the bonds have been valued including accrued interest and the loans have been set at fair value;
- Reinsurance share of unearned premiums – the reinsurance share of unearned premiums reserve comprises the reinsurer’s share of the proportion of gross premiums written which is to be earned in the following or subsequent financial years in the GAAP accounts. The unearned premiums are not recognised for solvency purposes, and instead the expected claims arising on the unearned premiums are recorded within the reinsurance share of technical provisions;
- Reinsurance share of claims reserves - the reinsurance share of claims reserves comprises the reinsurer’s share of the claims outstanding (including claims which are estimated to have been incurred but not reported) as at 31st December 2021;
- Deferred acquisition costs – on the Solvency II balance sheet these have been valued at nil;
- Deferred tax asset/liability – valued based on the expected tax benefit or expense once the valuation adjustments to transition to solvency valuations unwind; and
- Derivative assets and liabilities – there are no derivative assets or liabilities

2. Technical Provisions

The GAAP accounts of FCGL include provisions for claims reserves incurred based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims Incurred But Not Reported ('IBNR'). FCGL also considers any amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR. FCGL has considered whether adjustments may be required as a result of contract boundaries and decided to include a provision for bound but not incepted risks.

The technical provisions by line of business are as follows:

31st December 2021:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	290.1	5.8	295.8
Other motor insurance	46.4	1.0	47.4
Total	336.5	6.7	343.3

31st December 2020:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	278.8	5.3	284.1
Other motor insurance	12.5	0.2	12.7
Total	**291.3**	**5.5**	**296.9**

The tables above show that technical provisions have increased in the year, primarily due to the reversion to more normal driving behaviour following the relaxation of Covid restrictions, which has led to an increase in claims frequency compared to the prior year, although lower than the position prior to the pandemic.

The key areas of uncertainty around technical provisions are as follows:

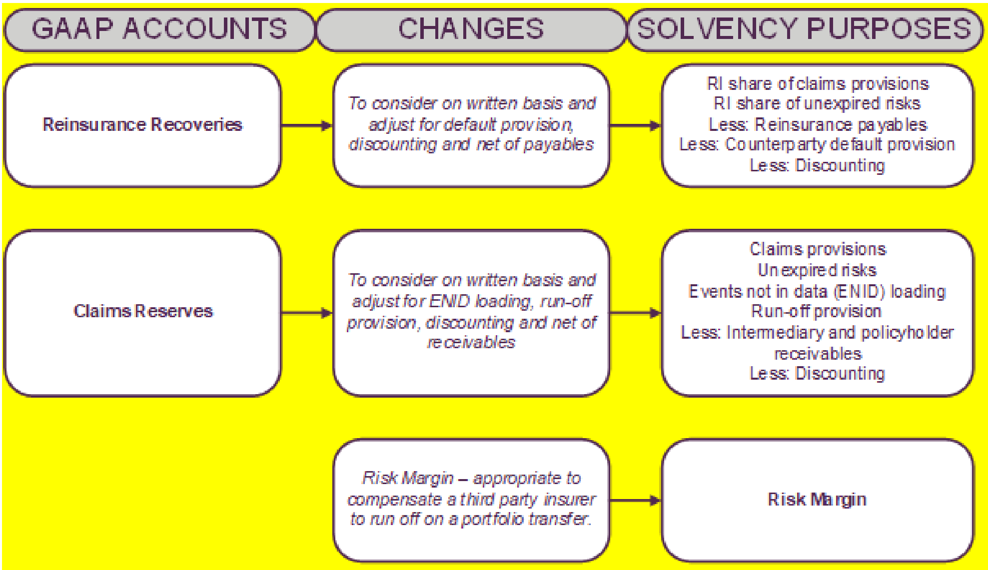
- Estimation of outstanding loss reserves ("OSLR") – while information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty;
- Estimation of the losses relating to claims which have been incurred but not reported ("IBNR") – this is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is not known at the time of reserving;
- Estimation of claims arising on business which has not yet expired ("unexpired risks") this is uncertain as the claims have not yet been incurred but are expected to be incurred on the business which FCGL has written;

- Market environment: changes in the market environment increase the inherent uncertainty affecting the business. In particular, there are likely to be on-going impacts from the emergence from the Coronavirus pandemic and broader macro-economic factors on vehicle damage-related claims inflation that are uncertain;
- Events Not In Data ('ENID loading') – estimating a provision for events not in data is subject to considerable uncertainty as the events being reserved have not been observed;
- Run-off expenses – the estimation of the expenses required to run-off of the bound obligations is inherently uncertain due to the estimations around the length of the run-off, base costs and inflation; and
- Risk margin – the risk margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run-off. This therefore shares the same uncertainties of the run-off expenses provision, as well as the inherent uncertainties around forecasting future solvency capital requirements.

FCGL manages the risks around these uncertainties via the following actions:

- Ongoing monitoring of claims, including regular reviews of claims handling functions;
- Maintaining several reinsurance arrangements to limit the impact of adverse claims; development;
- Internal controls through the SICL Underwriting and Claims Management Meetings and Actuarial Function which monitor claims development and reinsurance arrangements; and
- Regular internal and external actuarial reviews.

The changes required to transition from GAAP accounts to technical provisions for solvency purposes are consistent, and are noted below:



We shall consider each of these adjustments to transition from GAAP accounts to solvency technical provisions:

- Claims provisions: The IBNR (which includes a claims handling provision) in FCGL's GAAP accounts includes a margin in excess of best estimate which is not included in the Solvency II Best Estimate Liability. Other than removing this margin FCGL has made no other adjustments to its claims provisions in its GAAP accounts in recording the claims provisions for solvency purposes. The claims provisions as at 31st December 2021 for FCGL were £608.8m (2020: £318.4m);

- Reinsurance share of claims provisions: FCGL has made no adjustments to its reinsurance recoveries in its GAAP accounts in recording the reinsurance share of claims provisions for solvency purposes. The reinsurance share of claims provisions as at 31st December 2021 for FCGL were £478.6m (2020: £249.0m);

- Unexpired risks: FCGL has estimated the claims which will be payable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. FCGL has considered whether adjustments may be required as a result of contract boundaries and decided to include a provision for bound but not incepted risks. The gross premium provisions as at 31st December 2021 for FCGL were £208.5m (2020: £144.2m);

- Reinsurance share of unexpired risks: FCGL has estimated the amounts recoverable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions, including the reinsurance share of the bound but not incepted risks. The reinsurance share of gross premium provisions as at 31st December 2021 for FCGL were £139.1m (2020: £82.9m);

- Intermediary and policyholder receivables: Intermediary and policyholder receivables are netted off the technical provisions for solvency purposes. There are no valuation differences between GAAP accounts and intermediary and policyholder receivables for solvency purposes. The insurance receivables as at 31st December 2021 for FCGL were £247.6m (2020: £187.4m);

- Reinsurance payables: Net amounts payable to reinsurers are netted off the reinsurance recoveries for solvency purposes. There are no valuation differences between GAAP accounts and net reinsurance payables for solvency purposes. The net reinsurance payables (being reinsurance payables less financial investments held for collateral arrangements) of FCGL as at 31st December 2021 were £138.2m (2020: £123.7m);

- ENID loading: Technical provisions for solvency purposes are required to allow for all possible events, including those that may not have been historically realised. Such events not presented in a set of observable historical loss data are often called ENID. This is a difference in valuation methodology compared to the GAAP accounts that considers best estimates which can be reasonably foreseen, and therefore leads to a loading on the technical provisions to consider the probability weighted effect of events which have not previously been observed. FCGL has undertaken an analysis on the changes in both gross and net provisions following a number of different possible scenarios, considering both positive and negative outcomes. This has then been adjusted following scenario analysis which considered both positive and negative outcomes. As such, the ENID loading applied by FCGL as at 31st December 2021 was £1.8m (2020: £1.4m);

- Counterparty default provision: FCGL has considered a provision for default by one or more of its reinsurance providers. The provision is based on the total exposure to the counterparty, the rating of the counterparty and the existence of any collateral arrangements with the counterparty. FCGL estimates the counterparty default provision and considers each of the exposures, net of collateral arrangements in existence, applies the estimated probability of default by rating, and derives a weighted average probability of default. Following the commutation of the reinsurance arrangement with SRCL during 2021, FCGL's exposures are now entirely from reinsurers with a rating of A- and above. FCGL has calculated the weighted average probability of default of reinsurers as 0.04% (2020:0.02%), and thus the counterparty default adjustment is £0.2m (2020:£0.1m);

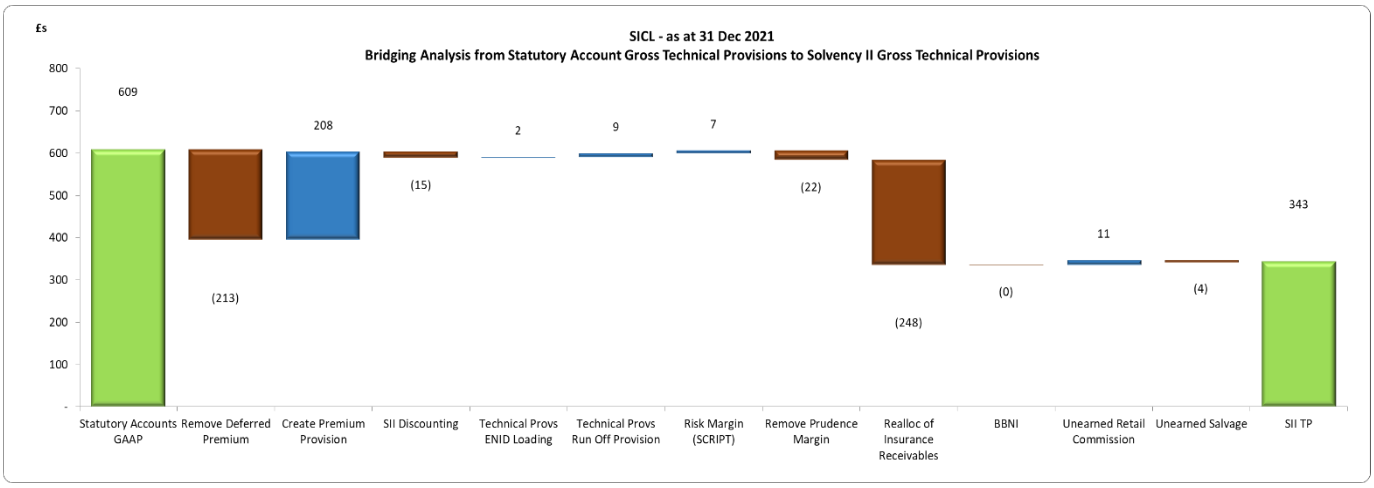
- Run-off provision: Technical provisions for solvency purposes are required to take account of all expenses that will be incurred in servicing insurance obligations. This is commonly referred to as a 'run-off' provision as it therefore considers all future expenses which would be incurred to allow the existing obligations to run-off. FCGL has determined an annual servicing cost for servicing bound obligations and has provided for these over the lifetime of the bound obligations, allowing for expected expenses inflation and taking into account future new business. The run-off provision applied by FCGL as at 31st December 2021 was £8.7m (2020; £4.3m)

- Discounting: Discounting has been applied in the technical provisions based on the sterling yield curve as at 31st December 2021 as issued by the European Insurance and Occupational Pensions Authority ("EIOPA"). In respect of FCGL, the impact of discounting on the gross technical provisions is £15.0m (2022:£5.9m), and on the reinsurance share of technical provisions the impact of discounting is £13.0m (2020: £5.1m); and

- Risk Margin: The risk margin is calculated by forecasting the SCR with simplifications over the duration of the run-off of existing liabilities. Claims are assumed to run-off in line with the cashflows derived for the technical provisions' liability run off. This results in a risk margin of £6.8m (2020: £5.5m)in respect of FCGL.

FCGL has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its technical provisions.

The changes to technical provisions highlighted above are reflected in the waterfall diagram below:



3. Other Liabilities

FCGL recorded the following classes of liabilities for solvency purposes:

As at 31st December 2021:

Liability	GAAP Accounts Value (£m)	Solvency Value (£m)	Explanation of Differences
Accruals	16.6	16.6	None
Deferred income	14.4	-	Not recognised for solvency purposes
Reinsurance accounts payable	188.5	0.0	Reclassified to technical provisions (see [2.5.7])
Other creditors, including corporation tax and IPT	40.2	40.2	None
Derivative liabilities	17.7	17.0	None
Deferred Tax liability	-	-	Only recognised in Solvency II

4. Alternative Methods for Valuation

Not applicable to FCGL.

5. Any Other Information

Not applicable to FCGL.

G. FCGL CAPITAL MANAGEMENT

1. Own Funds

Articles 230 and 233 of the Solvency II Directive prescribe that one of the following methods, or a combination must be used to calculate own funds for Group solvency:

- Method 1: Standard method based on Consolidation of financial statements; or
- Method 2: Alternative method based on a deduction and aggregation approach.

FCGL applies the following methods by undertaking for the calculation of Group solvency:

Legal name of undertaking	Method used for group solvency calculation
Skyfire Insurance Company Ltd	1
First Central Insurance Management Ltd	1
Skyfire Reinsurance Company Ltd (*)	1
First Central Services (UK) Limited	1

1st Central Law Ltd	2
1st Central Finance Ltd	1
Skyfire Property Holdings PCC Ltd	1
First Central Group Ltd	1
Skyfire Property Company Limited	1

(*) note that all insurance liabilities in Skyfire Reinsurance company Limited were commuted in September 2021 and the company no longer holds an insurance licence in anticipation of its liquidation in early 2022.

FCGL classifies its own funds as tier 1, tier 2 or tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses. FCGL's own funds for 31st December 2021 and 31st December 2020 are as follows:

		31st December 2021	
Own fund item	**Tier**	**£m**	**%**
Share capital and share premium	1	0.1	0.1
Reconciliation reserve	1	85.1	78.1
Subordinated debt	2	17.0	15.6
Deferred tax asset	3	6.7	6.2
		108.9	**100.0**

		31st December 2020	
Own fund item	**Tier**	**£m**	**%**
Share capital and share premium	1	1.6	1.4
Reconciliation reserve	1	90.7	78.7
Subordinated debt	2	18.0	15.6
Deferred tax asset	3	5.1	4.4
		115.3	**100.0**

The reconciliation reserve represents retained earnings and reconciliation adjustments from GAAP balance sheet to SII balance sheet.

The deferred tax asset within Solvency II is recognised as tier 3 capital.

Only FCGL's tier 1 own funds may be used towards meeting the Minimum Capital Requirement.

2. SCR & MCR

The SCR of FCGL as at 31st December 2021 was £70.3m (2020: £56.3m); its MCR as at 31st December 2021 was £17.6m (2020: £15.0m).

The final solvency capital requirement of FCGL is the aggregation of the market, counterparty and non-life underwriting risks, less a credit for diversification, and then an additional charge to represent the operational risks faced by FCGL.

The diversification is defined within the standard formula calculation and reflects the fact that the individual risk types are not 100% correlated and therefore a 1-in-200 shock on the balance sheet is less than the sum of a 1-in-200 shock for the individual risk type.

SOLVENCY CAPITAL REQUIREMENT	31st December 2021 £m	31st December 2020 £m
Market risks	13.8	14.1
Counterparty risks	16.1	10.4
Non-life underwriting risks	41.7	35.9
Life underwriting risks	0.2	0.1
Basic SCR diversification	(14.7)	(12.6)
Operational risks	13.1	8.4
SOLVENCY CAPITAL REQUIREMENT	**70.3**	**56.3**

The SCR of FCGL is made up as follows:

FCGL is exposed to market risks derived predominately from the assets held by FCGL to meet its insurance liabilities, although exposures to shocks in interest rates and currency rates are also considered in the exposure from underwriting risks.

MARKET RISK	31st December 2021 £m	31st December 2020 £m
Interest rate risk	0.5	0.0
Spread risk	2.0	2.6
Equity risk	0.0	1.2
Currency risk	4.4	4.8
Property risk	1.4	3.4
Concentration risk	12.3	10.9
Market risk diversification	(6.8)	(8.8)
MARKET RISK TOTAL	**13.8**	**14.1**

FCGL is exposed to counterparty risks in the form of cash deposits and recoveries from reinsurers (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2).

COUNTERPARTY RISK	31st December 2021 £m	31st December 2020 £m
Type 1 risk	11.4	10.4
Type 2 risk	5.8	0.0
Counterparty risk diversification	(1.0)	0.0
COUNTERPARTY RISK TOTAL	**16.1**	**10.4**

FCGL is exposed to non-life underwriting risk as a result of the insurance policies it sells. The risks are based on volatility around earned premiums and claims reserves, and to catastrophe events to which FCGL may be exposed.

NON-LIFE UNDERWRITING RISK	31st December 2021 £m	31st December 2020 £m
Premium and reserve risk	40.9	35.3
Catastrophe risk	3.0	2.2
Lapse risk	0	0
Non-life diversification	(2.1)	(1.6)
NON-LIFE UNDERWRITING RISK TOTAL	**41.7**	**35.9**

FCGL has utilised simplified calculations in applying the standard model for lapse risk only and there has been no use of undertaking specific parameters in the non-life underwriting risk calculations.

The non-life diversification is defined within the standard formula calculation and reflects the fact that the individual non-life risk types are not 100% correlated and therefore a 1-in-200 shock on total non-life underwriting risk is significantly less than the sum of 1-in-200 shocks for the individual non-life sub-risk types.

FCGL is exposed to life underwriting risk as a result of both the settled periodic payment orders (‘PPOs’) and the propensity for other large claims to settle as PPOs. At 31st December 2021 the gross technical provisions associated with PPOs totalled £20.6 or 3.4% of total reserves) (2020: £12.8m or 4.5%).

The life underwriting risk in respect of FCGL is immaterial.

Life underwriting risks	31st December 2021 £m	31st December 2020 £m
Longevity risk	0.2	0.1
Expense risk	0.0	0.0
Revision risk	0.0	0.0
Life diversification	0.0	0.0
LIFE UNDERWRITING RISK TOTAL	**0.2**	**0.1**

FCGL has utilised simplified calculations in applying the standard model for lapse risk only and there has been no use of undertaking specific parameters in the non-life underwriting risk calculations.

The inputs used to calculate the MCR of FCGL are as follows:

Line of business	Net (of reinsurance) best estimate and technical provisions calculated as a whole (£m)	Net (of reinsurance) written premiums in the last 12 months (£m)
Motor vehicle liability insurance	71.0	55.7
Other motor insurance	(12.5)	22.9

The duration-based equity sub-module has not been used in the calculation of the SCR for FCGL.

3. Non-Compliance with the MCR and Non-Compliance with the SCR

FCGL has maintained capital sufficient to meet its minimum capital requirement throughout the period covered by this report.

FCGL met its solvency capital requirement throughout the years ended 31st December 2020 and 31st December 2021.

4. Any Other Information

During March 2021, the Group entered into mediation with its insurer to reach a final settlement in respect to the insurance claim relating to the Central House fire in 2018. As a result, an agreement was reached for the insurer to pay the Company £3.1m to fully settle this insurance claim. This insurance recovery was recognised on the Consolidated Statement of Financial Position at 31st December 2020 and was physically received in May 2021. The property was sold for £3.95m. This resulted in a gain of £0.7m which was recognised in the 2021 accounting period.

As noted in last year's report, on 30th September 2020 the SICL Board approved the Liability Transfer of Evolution Insurance Company Limited's co-insured net claims reserves to SICL in respect of the period where Evolution Insurance Company Limited provided coinsurance capacity to SICL. This liability transfer was completed in May 2021 based on the reserves held as at 31 March 2021.

As noted above SICL's reinsurance arrangements with SRCL were commuted with effect from 30 September 2021. The insurance liabilities and associated assets were transferred to SICL along with a margin of uncertainty.

H. GLOSSARY

Acronym	Description	Acronym	Description
AKF	Actuarial Function Key Holder	**IA**	Internal Audit
ARCGC	Audit, Risk, Compliance & Corporate Governance Committee	**IAKFH**	Internal Audit Key Function Holder
CFO	Chief Financial Officer	**iNED**	Independent Non Executive Director
CLA	Civil Liability Act	**KPI**	Key Product Indicator
COR	Combined Operating Ratio	**ManCo**	Group Management Committee
CRC	Conduct Risk Committee	**NED**	Non Executive Director
CRIOC	Group Credit Risk, Investment Oversight Committee	**OC**	Outsourcing Committee
CSIL	Charles Street Investment Limited	**OIC**	Official Injury Claim
CV	Curriculum Vitae	**OpCo**	Group Operations Committee
ECR	Economic Capital Requirement	**ORSA**	Own Risk and Solvency Assessment
EICL	Evolution Insurance Company Limited	**PGC**	Product Governance Committee
ESG	Executive Steering Group	**QRT**	Quantitative Reporting Template
EU	European Union	**RemNomCo**	Remuneration and Nomination Committee
ExCo	Group Executive Committee	**RIR**	Regulated Individual Regime
FCA	Financial Conduct Authority	**RM**	Risk Management
FCGL	First Central Group Limited	**SCR**	Solvency Capital Requirement
FCIM	First Central Insurance Management	**SFCR**	Solvency and Financial Condition Report
FCS	First Central Services	**SICL ManCo**	Skyfire Insurance Company Limited Management Committee
FSCG	Financial Services Commission Guernsey	**SICL**	Skyfire Insurance Company Limited
GAC	Group Audit Committee	**SLA**	Service Level Agreement
GFSC	Gibraltar Financial Services Commission	**SPH**	Skyfire Property Holdings PCC Limited
GIAC	Group Internal Audit Charter	**SRC**	Skyfire Insurance Company Limited Reserves Committee
GIC	Group Investment Committee	**SRCL**	Skyfire Reinsurance Company Limited
GIPP	General Insurance Pricing Practices	**TDG**	Group Transformation Delivery Group
GRC	Group Reserves Committee	**ULR**	Ultimate Loss Ratio
GWP	Gross Written Premium	**XOL**	Excess of Loss

I. FCGL QUANTITATIVE REPORTING TEMPLATES

G.02.01.02 - Balance sheet

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	6,707
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	2,691
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	91,854
R0080	Property (other than for own use)	2,601
R0090	Holdings in related undertakings, including participations	12
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	39,722
R0140	Government Bonds	39,722
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	49,518
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	22,214
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	22,214
R0270	Reinsurance recoverables from:	277,969
R0280	Non-life and health similar to non-life	257,374
R0290	Non-life excluding health	257,374
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	20,594
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	20,594
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	9,417
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	88,281
R0420	Any other assets, not elsewhere shown	9,827
R0500	**Total assets**	508,960

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	322,587
R0520	Technical provisions – non-life (excluding health)	322,587
R0530	TP calculated as a whole	0
R0540	Best Estimate	315,890
R0550	Risk margin	6,697
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	20,676
R0610	Technical provisions - health (similar to life)	20,676
R0620	TP calculated as a whole	0
R0630	Best Estimate	20,626
R0640	Risk margin	50
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	TP calculated as a whole	0
R0670	Best Estimate	0
R0680	Risk margin	0
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	56,772
R0850	Subordinated liabilities	17,031
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	17,031
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	417,066
R1000	**Excess of assets over liabilities**	91,894

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

Contents

Tabular

		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																	
R0110	Gross - Direct Business	0	0	0	307,649	93,640	0	0	0	0	0	0	0					401,288
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0140	Reinsurers' share	0	0	0	255,844	77,872	0	0	0	0	0	0	0	0	0	0	0	333,715
R0200	Net	0	0	0	51,805	15,768	0	0	0	0	0	0	0	0	0	0	0	67,573
	Premiums earned																	
R0210	Gross - Direct Business	0	0	0	271,557	85,879	0	0	0	0	0	0	0					357,437
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0240	Reinsurers' share	0	0	0	258,297	78,618	0	0	0	0	0	0	0	0	0	0	0	336,915
R0300	Net	0	0	0	13,260	7,261	0	0	0	0	0	0	0	0	0	0	0	20,521
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	260,400	79,259	0	0	0	0	0	0	0					339,659
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0340	Reinsurers' share	0	0	0	200,551	61,042	0	0	0	0	0	0	0	0	0	0	0	261,593
R0400	Net	0	0	0	59,849	18,216	0	0	0	0	0	0	0	0	0	0	0	78,066
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non- proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	0	0	113,109	34,427	0	0	0	0	0	0	0	0	0	0	0	147,536
R1200	**Other expenses**																	0
R1300	**Total expenses**																	147,536

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

Contents

		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									
R1410	Gross	0	0	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0	0	0	0
	Premiums earned									
R1510	Gross	0	0	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0	0	0	0
	Claims incurred									
R1610	Gross	0	0	0	0	0	0	0	0	0
R1620	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1700	Net	0	0	0	0	0	0	0	0	0
	Changes in other technical provisions									
R1710	Gross	0	0	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0	0	0
R1900	**Expenses incurred**	0	0	0	0	0	0	0	0	0
R2500	**Other expenses**									0
R2600	**Total expenses**									0

G.05.02.01 - Premiums, claims and expenses by country

Contents

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			GB	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	401,288	0	0	0	0	401,288
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	389,347	0	0	0	0	389,347
R0200	Net	0	11,942	0	0	0	0	11,942
	Premiums earned							
R0210	Gross - Direct Business	0	355,861	0	0	0	0	355,861
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	336,915	0	0	0	0	336,915
R0300	Net	0	18,946	0	0	0	0	18,946
	Claims incurred							
R0310	Gross - Direct Business	0	336,645	0	0	0	0	336,645
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	271,750	0	0	0	0	271,750
R0400	Net	0	64,894	0	0	0	0	64,894
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	-10,962	0	0	0	0	-10,962
R1200	**Other expenses**							0
R1300	**Total expenses**							-10,962

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400			0	0	0	0	0	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0	0
	Premiums earned							
R1510	Gross	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0	0
	Claims incurred							
R1610	Gross	0	0	0	0	0	0	0
R1620	Reinsurers' share	0	0	0	0	0	0	0
R1700	Net	0	0	0	0	0	0	0
	Changes in other technical provisions							
R1710	Gross	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	0	0	0	0	0	0	0
R2500	**Other expenses**							0
R2600	**Total expenses**							0

G.23.01.22 - Own funds

Contents | Tabular

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
R0010	Ordinary share capital (gross of own shares)	1	1		0	
R0020	Non-available called but not paid in ordinary share capital at group level	0	0		0	
R0030	Share premium account related to ordinary share capital	111	111		0	
R0040	Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	Non-available subordinated mutual member accounts at group level	0		0	0	0
R0070	Surplus funds	0	0			
R0080	Non-available surplus funds at group level	0	0			
R0090	Preference shares	0		0	0	0
R0100	Non-available preference shares at group level	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0120	Non-available share premium account related to preference shares at group level	0		0	0	0
R0130	Reconciliation reserve	85,075	85,075			
R0140	Subordinated liabilities	17,031		0	17,031	0
R0150	Non-available subordinated liabilities at group level	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	6,707				6,707
R0170	The amount equal to the value of net deferred tax assets not available at the group level	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	Non available own funds related to other own funds items approved by supervisory authority	0	0	0	0	0
R0200	Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
R0210	Non-available minority interests at group level	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activitie	0	0	0	0	0
R0240	whereof deducted according to art 228 of the Directive 2009/138/EC	0	0	0	0	
R0250	Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
R0260	Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
R0270	Total of non-available own fund items	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	108,925	85,187	0	17,031	6,707
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0380	Non available ancillary own funds at group level	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	0	0	0	0	
R0420	Institutions for occupational retirement provision	0	0	0	0	0
R0430	Non regulated entities carrying out financial activities	0	0	0	0	
R0440	Total own funds of other financial sectors	0	0	0	0	0
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
R0460	Own funds aggregated when using the D&A and a combination of method net of IGT	0	0	0	0	0
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	108,925	85,187	0	17,031	6,707
R0530	Total available own funds to meet the minimum consolidated group SCR	102,218	85,187	0	17,031	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the	108,925	85,187	0	17,031	6,707
R0570	Total eligible own funds to meet the minimum consolidated group SCR	88,700	85,187	0	3,513	
	Consolidated Group SCR					
R0610	**Minimum consolidated Group SCR**	17,564				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**					
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	5.0502				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	108,925	85,187	0	17,031	6,707
R0670	**SCR for entities included with D&A method**					
R0680	**Group SCR**	70,254				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	1.5504				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	91,894
R0710	Own shares (held directly and indirectly)	0
R0720	Forseeable dividends, distributions and charges	0
R0730	Other basic own fund items	6,819
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	0
R0760	**Reconciliation reserve before deduction for participations**	85,075
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

G.25.01.22 - Solvency Capital Requirement - for undertakings on Standard Formula

Contents

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	13,795		
R0020	Counterparty default risk	16,148		
R0030	Life underwriting risk	230		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	41,720		
R0060	Diversification	-14,727		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	57,167		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	13,087
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	70,254
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	70,254
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	17,564
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	0
R0520	Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	0
R0530	Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D and A	0
R0570	**Solvency capital requirement**	70,254

S.32.01.22 - Undertakings in the scope of the group

Contents

Tabular

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
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
CI	2138O0Y5XIR6COSRCD66	LEI	Skyfire Insurance Company Ltd	2	limited company	2	Financial Services C
GB	FCIM	SC	First Central Insurance Management Ltd	10	limited company	2	
GB	FCSUK	SC	First Central Services (UK) Limited	10	limited company	2	
GB	1CL	SC	1st Central Law Ltd	10	limited company	2	
GG	FCF	SC	1st Central Finance Ltd	11	limited company	2	
GG	PCC	SC	Skyfire Property Holdings PCC Ltd	99	limited company	2	
GG	FCG	SC	First Central Group Ltd	5	limited company	2	
CI	SPCL	SC	Skyfire Property Company Limited	99	limited company	2	

Country	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/ NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0010	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
CI	100.0000	100.0000			1	100.000C	1		1
GB	100.0000	100.0000			1	100.000C	1		1
GB	100.0000	100.0000			1	100.000C	1		1
GB	75.0000	75.0000			2	75.0000	1		2
GG	100.0000	100.0000			1	100.000C	1		1
GG	100.0000	100.0000			1	100.000C	1		1
GG							1		1
CI	100.0000	100.0000			1	100.000C	1		1