



SOLVENCY AND FINANCIAL CONDITION REPORT

BRITISH GAS INSURANCE LIMITED

Year Ended 31 December 2022

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SUMMARY

(Unaudited)

BUSINESS

British Gas Insurance Limited underwrites general insurance risks in England, Scotland, and Wales within the Solvency II assistance class of business. The HomeCare range covers the breakdown of domestic boilers and central heating systems with options to cover plumbing & drains and home electrics. We also offer appliance cover. Customers can also arrange home insurance through British Gas, but we do not underwrite it, so this report does not cover home insurance.

We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

British Gas Insurance Limited is part of the Centrica Group. Business is introduced to us by our sister company, British Gas Services Limited, authorised and regulated by the Financial Conduct Authority. British Gas Services Limited undertake sales & marketing, product design and retail pricing. They also deal with claims handling & fulfilment, policy administration and complaints handling on our behalf.

The information presented in this report is up to 31 December 2022. Our financial and liquidity positions are regularly monitored and remain robust.

UNDERWRITING PERFORMANCE

Overall underwriting profitability reduced in 2022 versus the prior year due to a combination of a lower number of policies in force and an increase in claims and servicing costs. Overall product holdings declined despite stable customer retention due to lower customer acquisitions in a challenging macro-economic environment. There was significant management focus on service investment throughout the year to improve customer outcomes. As such, costs increased in 2022 from a higher volume of boiler service visits completed following continued recovery after Covid-19. Breakdowns were also higher than 2021, driven in part by changes in customer behaviour post pandemic as well as a period of exceptionally cold weather in December.



SYSTEM OF GOVERNANCE

Governance is provided through the Board and its delegated authority, sub-committees, and Executive committees.

We have a robust risk management system to identify, measure, monitor, manage and report on the risks to our business strategy and delivery of our objectives. We operate a 'three lines of defence' governance model to ensure appropriate segregation of risk ownership, oversight, and assurance responsibilities.

- First line: ownership of risk-taking and risk management in respect of business-as-usual activities, change programmes and strategy.
- Second line: protecting and enabling the business to achieve its objectives by providing advice and oversight of risk taking and risk management while developing and delivering the relevant tools and methodologies to support business risk taking.
- Third line: independent and objective assurance of the effectiveness of risk management and internal controls through Internal Audit.

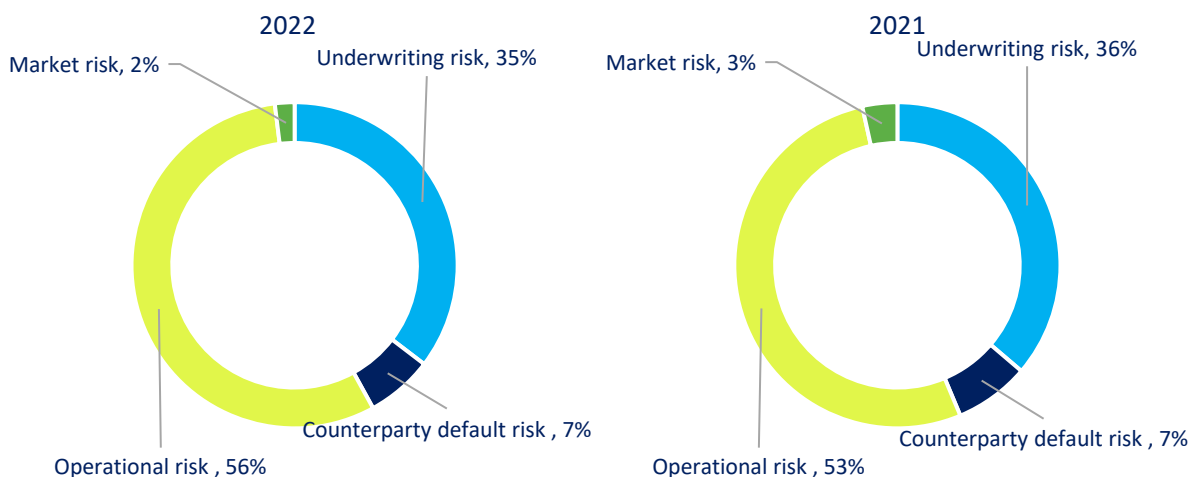
Section B has more information on our system of governance.

RISK PROFILE

Operational risk and underwriting risk remain our key risks. Cold weather risk is our most significant underwriting risk, and how British Gas Services Limited deal with customers drives our operational risk.

Compared to many other insurers, our operational risks represent a bigger proportion of our total risk profile. This is a feature of our comparatively low underwriting risk due to the quick settlement of claims at a fixed unit cost per claim. We also have low market risk due to our low risk investment strategy.

Further information is included in Section C.

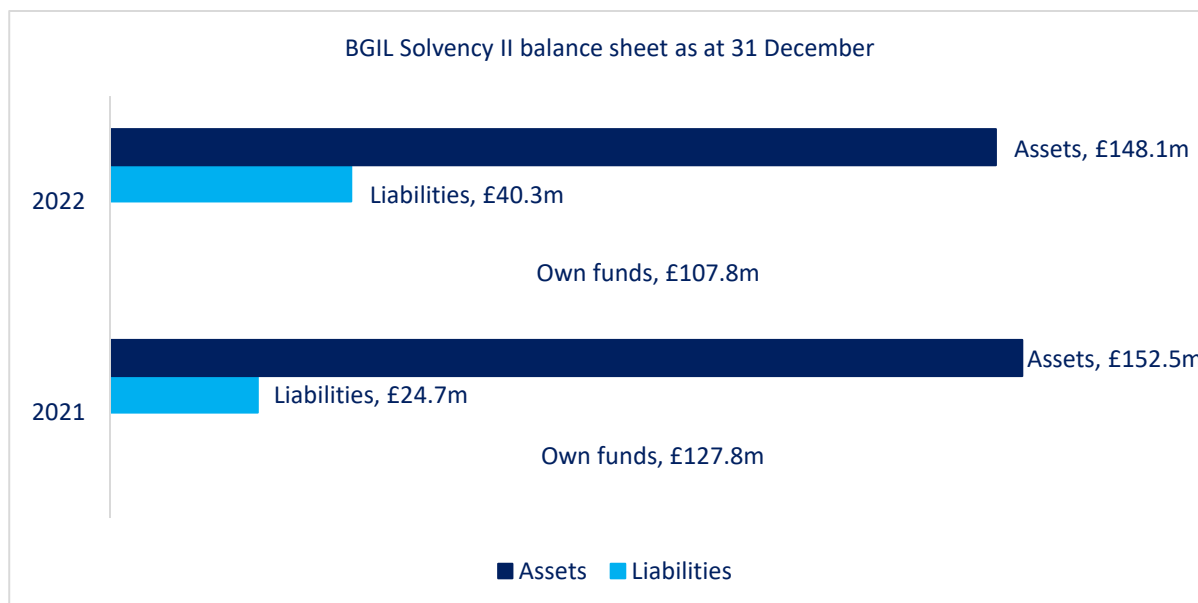


The charts above show our risk profile based on the amount of capital held for each risk, assessed on an 'extreme scenario' basis.

VALUATION FOR SOLVENCY PURPOSES

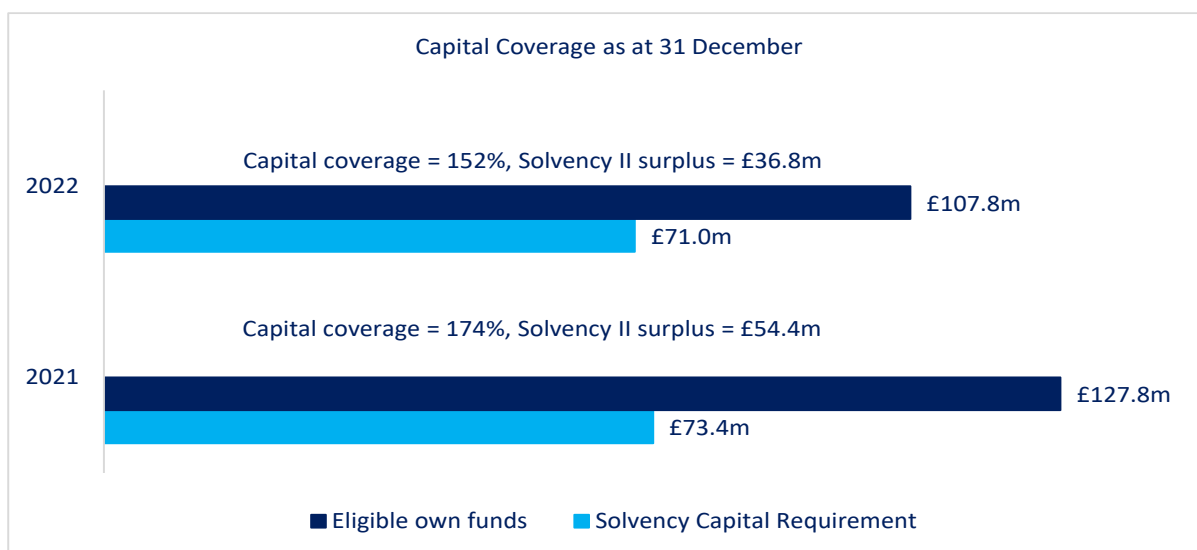
2022 assets are broadly in line with 2021, and an increase in Liabilities is primarily due to the rise in future contractual costs paid by BGIL to BGSL per claim. As a result, this leads to Own funds decreasing by £20m.

Further information on assets and liabilities is provided in section D.



CAPITAL MANAGEMENT

Our aim is to maintain sufficient capital to meet claims as they fall due, protect the interests of customers, and meet operational needs and regulatory requirements. We hold capital resources above the regulatory capital required to ensure that the business is adequately capitalised to remain resilient in a range of stress scenarios. Subject to ongoing business performance being within risk appetite, specific requirements in the Dividend Policy and other relevant factors, our approach is to pay funds in excess of the risk appetite as a dividend to our parent company, GB Gas Holdings Limited. We paid an interim dividend of £30m in October 2022. The company is financially resilient.



The Minimum Capital Requirement (MCR) that we must hold is £31.9m (£33.1m in 2021). We have maintained sufficient own funds to meet both our Solvency Capital Requirement and our MCR throughout the reporting period.

Section E contains further information on capital management.

MEANING OF TERMS

Term	Meaning with this report
Capital coverage	<p>Insurers are required to hold enough eligible own funds to cover the SCR.</p> <p>The capital coverage ratio, defined as eligible own funds divided by the SCR, must be at least 100%.</p>
Counterparty default risk (credit risk)	<p>Credit risk is defined as the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties, and any debtors to which British Gas Insurance Limited is exposed.</p>
Market risk	<p>Market risk is the risk of loss resulting from fluctuations in the level and volatility of market prices of assets and liabilities.</p>
Operational risk	<p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events.</p>
Own funds	<p>Own funds represent the excess of assets over liabilities (on a Solvency II basis).</p>
Eligible own funds	<p>Eligible own funds are own funds after approved dividends have been deducted.</p>
Parent company	<p>The parent company of British Gas Insurance Limited is GB Gas Holdings Limited, part of the Centrica Group.</p>
Solvency II	<p>Solvency II is an EU-wide regulatory regime. Although some PRA rules have changed to reflect the UK withdrawal from the European Union, Solvency II continues to be the regulatory regime for UK insurers.</p>
Solvency Capital Requirement (SCR)	<p>The SCR represents the level of eligible own funds required to provide assurance that the Company can absorb significant losses in remote (1-in-200) scenarios and still meet policyholders' claims costs and other obligations as they fall due.</p>
Underwriting risk	<p>Underwriting risk refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations of the insurer at the time of underwriting.</p>

There is also a glossary of terms in Section G.

DIRECTORS' REPORT

(Unaudited)

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

We are satisfied that:

- throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company and
- It is reasonable to believe that, at the date of the publication of the Solvency and Financial Condition Report, the Company has continued to comply and will continue to comply in the future.

For and on behalf of the Board of British Gas Insurance Limited:

A handwritten signature in black ink, appearing to read "Jana Siber".

Jana Siber
Chief Executive Officer
30 March 2023

INDEPENDENT AUDITOR'S REPORT

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF BRITISH GAS INSURANCE LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR")

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2022:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2022, ('the Narrative Disclosures subject to audit'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- information contained within the relevant elements of the SFCR set out above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21, S.25.02.21, S.25.03.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

To the extent the information subject to audit in the relevant elements of the SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standards as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing the SFCR, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the SFCR is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing the underlying business plans and forecasts that support the key assumptions such as pricing and claims rates;
- obtaining the latest intercompany agreements with other Centrica Plc subsidiaries to assess whether any price or cost assumptions have changed;
- assessing the company's Own Risk and Solvency Assessment Report (ORSA) to support our understanding of the key risks faced by the company, its ability to continue as a going concern, and the longer-term viability of the company;
- considering the challenging macroeconomic environment with regard to significant cost inflation, particularly in labour markets;
- obtaining and inspecting correspondence between the company and its regulators, the Prudential Regulation Authority and Financial Conduct Authority, to identify any items of interest which could potentially indicate either non-compliance with legislation or potential litigation or regulatory action held against the company; and
- assessing the appropriateness of the going concern disclosure

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the SFCR themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: <https://www.frc.org.uk/auditorsresponsibilities>. The same responsibilities apply to the audit of the SFCR.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law, the Prudential Regulation Authority and the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as IT and analytic specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Estimation of the Bound But Not Incepted (BBNI) Solvency II adjustments requires significant management judgement, and therefore there is potential for management bias through manipulation. In response to the identified risk, our testing included: assessing the design and implementation of key controls that are related to the Solvency II reporting process; obtaining management's methodology and calculations related to technical provisions and assessing this for reasonableness; testing the accuracy and completeness of the BBNI volumes reported.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and reading minutes of meetings of those charged with governance, reviewing correspondence with the PRA and FCA.

Other Matter

The Company has authority to calculate its Solvency Capital Requirement using a partial internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements.

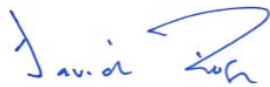
In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of British Gas Insurance Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.

Use of our Report

This report is made solely to the Directors of British Gas Insurance Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Signature

A handwritten signature in blue ink that reads "David Rush". The signature is written in a cursive style with a large, sweeping flourish at the end.

David Rush
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 March 2023

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit**Solo partial/internal model****The relevant elements of the SFCR that are not subject to audit comprise:**

- The following elements of template S.02.01.02:
 - Row R0550: Technical provisions – non-life (excluding health) – risk margin
 - Row R0590: Technical provisions – health (similar to non-life) – risk margin
 - Row R0640: Technical provisions – health (similar to life) – risk margin
 - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) risk margin
 - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin
- The following elements of template S.17.01.02
 - Row R0280: Technical provisions calculated as a sum of BE and RM – Risk margin
 - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.23.01.01
 - Row R0580: SCR
 - Row R0600: MCR
 - Row R0620: Ratio of Eligible own funds to SCR
 - Row R0640: Ratio of Eligible own funds to MCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01
 - Row R0310: SCR
 - Row R0320: MCR cap
 - Row R0330: MCR floor
 - Row R0340: Combined MCR
 - Row R0400: Minimum Capital Requirement

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'

INTRODUCTION TO THE SFCR

The requirement to produce an annual Solvency and Financial Condition Report follows the introduction of the Solvency II regime on 1 January 2016 for the EU insurance industry. This includes standards for assessing capital requirements and governance over risk management, with the principal objectives of improved comparability of information across the insurance industry and increased policyholder protection. The summary is intended for policyholders, with the remaining sections for analysts.

This report for British Gas Insurance Limited (“BGIL” or “the Company”) presents information on business and performance, the system of governance, risk profile, valuation of assets and liabilities, and capital management.

Information about the business and performance of the Company is also included in BGIL’s Annual Report and Financial Statements for 2022.

Parts of the SFCR are subject to external audit, as indicated and explained in the Independent Auditor’s report.

Figures are presented on a Solvency II basis unless indicated otherwise.

A BUSINESS AND PERFORMANCE

(Unaudited)

A.1 BUSINESS

A.1.1 COMPANY INFORMATION

British Gas Insurance Limited (BGIL) is registered in England and Wales under the company registration number 06608316. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under Financial Services Register number 490565.

Its registered office and details of its supervisors and auditor are as follows:

Registered Office

British Gas Insurance Limited
Millstream, Maidenhead Road
Windsor
Berkshire
SL4 5GD
+44 (0) 1753 494000

Supervisory Authority

Prudential Regulatory Authority
20 Moorgate
London
EC2R 6DA
+44 (0) 20 7601 4444

External Auditor

Deloitte LLP
Hill House
1 New Street Square
London
EC4A 3HQ
+44 (0) 20 7936 3000

Supervisory Authority

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN
+44 (0) 20 7066 1000

A.1.2 GROUP STRUCTURE

BGIL is a private company limited by shares and is a wholly owned subsidiary of GB Gas Holdings Limited (“GBGH”) within the Centrica Group (“the Group”). BGSL is authorised and regulated by the Financial Conduct Authority. BGSL introduces business to BGIL, and services such as policy administration and claims handling & fulfilment are outsourced to BGSL. Further information is in Section B.7. The following chart shows the group structure in 2022.



A.1.3 LINES OF BUSINESS

BGIL underwrites general insurance risks in England, Scotland, and Wales, within the assistance class of business, covering the breakdown of domestic boilers and central heating systems, plumbing & drains, and electrical and gas appliances. The Company does not underwrite risks outside the UK.

A.2 UNDERWRITING PERFORMANCE

A.2.1 2022 PERFORMANCE

Under UK Generally Accepted Accounting Practice (UK GAAP), the underwriting performance is as follows:

BGIL underwriting performance for the 12 months to 31 December (UK GAAP)	2022 £m	2021 £m
Gross written premium	829.1	863.4
Gross earned premium	853.6	905.8
Claims incurred	(400.1)	(357.9)
Expenses incurred	(431.8)	(483.2)
Underwriting profit (pre-tax)	21.7	64.7
Combined operating ratio (COR)	97.5%	92.9%

The number of policies in force decreased to 6.3m at 31 December 2022 (2021: 7.2m). Overall underwriting profitability reduced in 2022 versus the prior year due to a combination of a lower number of policies in force and an increase in claims and servicing costs. Overall product holdings declined despite stable customer retention due to lower customer acquisitions in a challenging macro-economic environment. There was significant management focus on service investment throughout the year to improve customer outcomes. As such, costs increased in 2022 from a higher volume of boiler service visits completed following continued recovery after Covid-19. Breakdowns were also higher than 2021, driven in part by changes in customer behaviour post pandemic as well as a period of exceptionally cold weather in December.

No reinsurance contracts were entered into during the current or prior years.

A.3 INVESTMENT PERFORMANCE

A.3.1 INVESTMENTS BY ASSET CLASS

Investments held by BGIL are shown below. BGIL invests in short duration, high-quality securities, and deposit-based investments.

Investments as at 31 December	2022 £m	2021 £m
Collective investment undertakings	147.9	152.4
Total investments	147.9	152.4

There has been no material change in investment holdings.

A.3.2 INVESTMENT INCOME AND EXPENSES

Investment income for 12 months to 31 December	2022 £m	2021 £m
Investment income	2.2	0.2
Investment expenses	(0.2)	(0.2)
Net investment income	2.1	0.0

All investment income and expenses relate to unit holdings in short-term money market funds and deposits with financial institutions. Expenses represent fees paid to investment managers. The investment income increased in 2022 compared to 2021, this was caused by an increase in yields due to change of base rates set by the Bank of England.

A.4 PERFORMANCE OF OTHER ACTIVITIES

BGIL pays dividends to its parent company, GB Gas Holdings Limited. BGIL paid an interim dividend of £30m in October 2022 (2021: £49m).

Further information is in Section E.1.

A.5 ANY OTHER INFORMATION

BGIL does not invest in equity or have any investments in securitisation.

There is no other information to report.

B SYSTEM OF GOVERNANCE

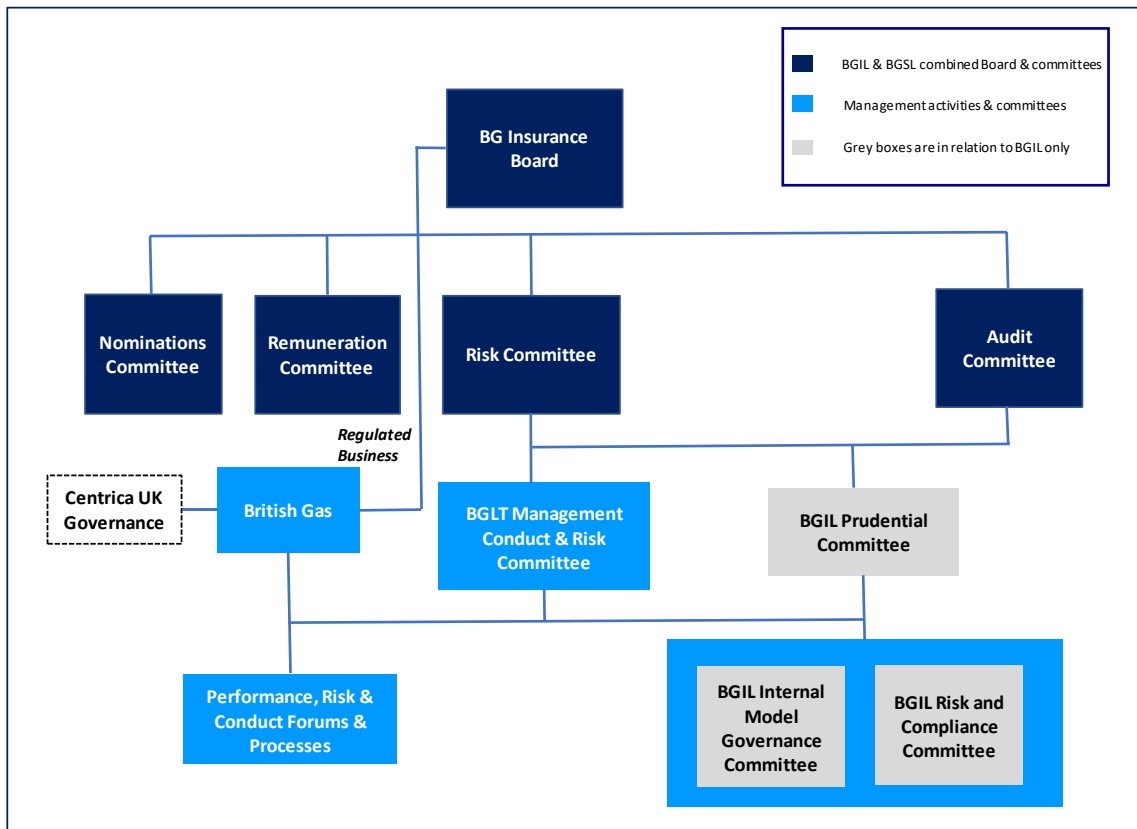
(Unaudited)

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The prudential governance framework for BGIL has been in place since January 2019. BGIL and BGSL are separate legal entities which are governed via a common Board, Risk Committee and Audit Committee. Common Nominations and Remuneration Committees are also in place.

B.1.1 GOVERNANCE STRUCTURE.

The committee structure for BG Insurance (BGIL & BGSL) is shown below. The grey boxes relate to BGIL only.



Board

The Board has overall responsibility for the oversight of the management of BGIL. Its objectives include setting the strategic aims, monitoring management's performance against those aims, setting risk appetite and ensuring that effective controls are in place. Any major changes to the Company's business activities must be approved by the Board before implementation. The Board meets at least four times a year. Minutes of all Board meetings are recorded and reflect the substance of the discussions as well as the decisions made.

The Board comprises an independent non-executive chair, independent non-executive directors, and two executive directors.

Board Sub-Committees

All authority flows from the Board, but it delegates to sub-committees. Responsibilities are set out in the respective terms of reference.

The following sub-committees are in place for BG Insurance (BGIL & BGSL):

- The Risk Committee: responsibilities include monitoring and reviewing the activities of the Risk Function and the Compliance Function, monitoring and reviewing the risk management and controls system, monitoring and overseeing conduct risk, and monitoring and overseeing the development and use of BGIL's Partial Internal Model. The committee meets at least four times a year.
- The Audit Committee: the key objective of the committee is to monitor the integrity of the financial statements, including any financial judgements contained therein. The committee meets as required to fulfil its obligations, at least four times a year.
- The Nominations Committee: responsible for the nomination and approval of executive positions and senior management oversight, assurance and group influence positions and ensuring that the ongoing leadership needs of the organisation are met with particular emphasis on Board and SMF succession.
- The Remuneration Committee: responsible for the effective operation of the Remuneration Policy and risk adjusted remuneration framework (B.1.3).

Executive Committees

The Board and its sub-committees are supported by the following Executive committees:

- The Management Conduct & Risk Committee, that is responsible for managing risks to BGIL (and the wider British Gas business) to within acceptable levels and for maintaining a sound enterprise risk management framework with appropriate internal controls. It specifically monitors conduct performance and ensures this is monitored and assessed against agreed risk appetite.
- The Prudential Committee, that assists the Executive Directors, Board and Risk and Audit Committees on specific BGIL financial and Solvency II processes supporting capital calculations, Own Risk and Solvency Assessment ("ORSA") processes, internal model governance, Solvency II reporting and balance sheet assurance.

The British Gas leadership team manages the BG Insurance business and is responsible for developing and leading the delivery of the strategy.

Executive Sub-Committees

The Executive committees are supported by the following sub-committees:

- Risk & Compliance Committee, that supports the Prudential Committee with respect to BGIL's risk management system and oversight activity.
- Internal Model Governance Committee, that supports the effective governance of BGIL's internal model.

The Management Conduct & Risk Committee is also supported by several committees that support the operational needs of BGIL and BGSL.

Key Functions

BGIL has the following Solvency II key functions:

- Risk Function (Section B.3),
- Compliance Function (section B.4),
- Internal Audit (Section B.5),
- Actuarial Function (section B.6).

B.1.2 MATERIAL CHANGES TO THE SYSTEM OF GOVERNANCE OVER THE REPORTING PERIOD

In 2022 the Board changed as follows:

- Stuart Vann (independent non-executive); existing Board member resigned as Chair of Remuneration Committee on 28 February 2022.
- Matthew Bateman (executive) resigned from the Board 31 January 2022.
- Sima Ruparelia (independent non-executive); existing Board member was appointed chair of the Remuneration Committee from 28 February 2022.
- Stuart Phillips (executive); resigned on 1 December 2022. A CFO is expected to be appointed to the BGI Board when a permanent replacement is appointed (and subject to regulatory approval).
- Jana Siber (executive) was appointed on 21 July 2022.

B.1.3 REMUNERATION POLICY

The British Gas Remuneration Policy (Policy) sets out the remuneration policy that applies to senior employees in British Gas Insurance Ltd (BGIL) and British Gas Services Ltd (BGSL).

Our reward philosophy is to develop programmes that support the business needs to attract and retain key talent, and motivate high performance, rewarding the right skills, behaviours, and outcomes necessary to meet the long-term business strategy and ensure fair treatment of customers.

There are regulatory requirements about the incentive arrangements that apply to those who run BGIL/BGSL and key employees whose professional activities have a material impact on the risk profile of the regulated entities (i.e., Solvency II staff) and BGIL and BGSL staff that are covered by the PRA and FCA Senior Management & Certification Regime (SMCR).

Where individuals that fulfil regulatory roles for BGIL or BGSL, as set out in the respective Management Responsibility Maps, are employed by other group entities, the Remuneration Committee will provide input into their performance assessment.

This policy has been prepared in accordance with the relevant applicable regulations and guidance on remuneration.

The BGIL Remuneration Policy includes the following components:

- Base salary.
- Incentive Plan: The Annual Performance Incentive Plan (APIP) and the Conditional Share Incentive Plan (CSIP) are designed to incentivise and reward individual performance and the financial performance of Centrica.
- Pension: Centrica's policy is not to offer defined benefit pension arrangements to new employees, unless this is specifically required by legislation or an existing contractual arrangement.
- Benefits: Centrica offers a range of benefits including some or all of the following: a company-provided car, or a cash allowance in lieu; life assurance and personal accident insurance; Group Income Protection; health and medical insurance for the employee and; various benefits available via salary sacrifice.
- Share plans: UK-based employees may be eligible to participate in HMRC-approved share plans.

Non-Executive fees take into account the need to attract high quality individuals, their responsibilities, time commitment and market practice and will be periodically subject to independent review at the request of the Board.

B.1.4 MATERIAL TRANSACTIONS

No material transactions have been identified during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body.

B.2 FIT AND PROPER REQUIREMENTS

BGIL implements policies and procedures to ensure persons who effectively run the Company, or have responsibility for key functions, have the required skills, knowledge, and expertise to carry out the role and are fit and proper to do so. Individuals holding Senior Manager Function positions are also required to receive prior approval from the PRA and/or FCA before they can perform their role.

BGIL undertakes fitness and propriety assessments in the following circumstances:

- Before an individual starts their role.
- Annually, to assess their 'continued fitness' to undertake their role.
- When an individual's role has significantly changed.
- Where there is a potential issue disclosed by an individual which might affect how their fitness and propriety is viewed.

BGIL's overall assessment of an individual's fitness and propriety includes:

- Financial soundness: assessed by conducting financial checks and asking specific questions as part of the fitness and propriety questionnaire.
- Honesty, integrity, and reputation assessed through:
 - Fitness and propriety questionnaire/attestation.
 - Regulatory references.
 - Standard criminal record check.
 - Directors/Companies House check (including disqualifications/dissolutions).
 - HR record check for existing employees (disciplinary and/or breaches of conduct rules).
- Competence and capability: during recruitment, at a point where an individual is being considered for a key function or as part of an annual assessment, a competence and capability assessment is carried out. The assessment considers:
 - Qualifications (where relevant).
 - Experience.
 - Current level of competence and personal characteristics.
 - Skills and knowledge gap analysis which will inform a tailored business induction and development plan.

The key areas that are considered as part of the skills and knowledge analysis include:

- The markets in which they operate (i.e., insurance or financial services).
- Business strategy and business model.
- System of governance.
- Financial and, where relevant, actuarial analysis.
- Regulatory framework and requirements.
- Objectives linked to delivering regulatory obligations and evidence of performance (as part of end of year review) confirmed by line manager.

BGIL has complied with the Senior Managers & Certification Regime over the year.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1 CHIEF RISK OFFICER

The Risk Function is led by the CRO whose role includes responsibility for:

- The design, development, embedding and overseeing of the risk management strategy and risk management processes.
- Coordination of the ORSA processes and reporting.
- The compliance relationship with the PRA.
- Validation and performance of BGIL's capital model.

B.3.2 RISK MANAGEMENT FRAMEWORK

BGIL's risk management system starts with its Enterprise Risk Management Framework, the primary objective of which is to ensure that processes are in place for effective planning, organising, leading, and controlling of BGIL activities to manage the effect of risk on BGIL's capital and earnings, while ensuring good customer outcomes and employee safety.

Governance is achieved through the implementation of a 'three lines of defense' model that ensures appropriate segregation of risk ownership, oversight, and assurance responsibilities.

- First line: ownership of risk taking and risk management in respect of business as usual activities, change and strategy.
- Second line: protecting and enabling the business to achieve its objectives by providing advice and oversight of risk taking and risk management, while developing and delivering the relevant tools and methodologies to support business risk taking.
- Third line: independent and objective assurance of the effectiveness of risk management and internal controls through Internal Audit.

Risk management is embedded in the business and members of the risk team attend key meetings within the British Gas business. A CRO opinion is provided to the Board and its sub-committees in respect of key decisions.

B.3.3 RISK MANAGEMENT SYSTEM

Risk Policies

To support its objectives, BGIL's risk management framework includes a comprehensive set of risk policies which cover the partial internal model as well as all material risk categories to which BGIL is exposed. They are approved annually by the Board and/or appropriate sub-committees.

Risk Appetite Statements

Risk appetite is the amount of risk the Board is willing to take to meet its strategic objectives.

Risk appetite statements are reviewed annually and approved by the Board.

The Risk Function is responsible for monitoring and reporting against the risk appetite statements. If a risk appetite threshold has been (or is close to being) breached, action is taken to bring it back within the accepted range. Out of appetite statements are reported to the Board and relevant sub-committees.

B.3.4 RISK PROCESSES

BGIL's risk management system includes the five processes below.

Identification

BGIL identifies current, emerging, and future risks through various means such as meetings, webinars, and workshops. Once a new or emerging risk has been identified, a risk owner is assigned, and the risk is added to the risk register.

Measurement

BGIL measures risk using output of its partial internal model (Section B.3.5). In addition, risks are quantified through a suite of stress and scenario tests. The prioritisation of the risks is measured using a likelihood and severity matrix approach.

Management

A comprehensive controls framework exists which ensures risk is managed within agreed appetite and threshold levels.

Monitoring

Monitoring to ensure that risks are accurately evaluated and adequately controlled is integral to the risk management processes. Monitoring is achieved through the BGIL controls framework, stress and scenario testing, risk and control owner reviews, second line monitoring by the Risk and Compliance Functions, and third line of defence reviews.

Reporting

Risk reporting and communication forms a vital part of the process to ensure visibility and transparency of risks at both a BGIL and a Group level. Various risk reports are produced including risk dashboards and the ORSA report.

B.3.5 RISK MODELLING

BGIL uses a partial internal model for risk modelling. Further details are provided in Section E.2. Oversight of the partial internal model is provided in the first instance by the Internal Model Governance Committee. The Prudential Committee is responsible for reviewing and challenging the SCR. Oversight is also provided by the Risk Committee, which is responsible for the ongoing appropriateness of the design and operation of the model, as well as for reviewing model changes and validation reports.

Independent validation of the modelling underlying the SCR is undertaken by the Risk Function, supported by an external firm, currently Lane Clark & Peacock. BGIL's capital model is subject to a cycle of validation using appropriate techniques for the part of the model under review. It considers the appropriateness of the scope of the model and covers all parts of the model, adopting a proportionate approach and recognising the materiality of each model component.

The Board is required to approve BGIL's SCR, appropriate summaries of internal model results and validation reports on an annual basis.

B.3.6 OWN RISK AND SOLVENCY ASSESSMENT (“ORSA”)

The ORSA enables senior management to make business decisions relating to medium term capital management and business planning. The ORSA process is cyclical and incorporates several underlying business processes. The full cycle is performed at least annually or more frequently if required in response to material changes in the risk profile of the company.

The ORSA:

- Considers risks, solvency, and capital management over a three-year forward-looking horizon.
- Considers the key risks that face the business.
- Considers the link between the resulting risk profile, the approved risk appetite, and the capital requirements.
- Includes stress and scenario testing and reverse stress testing.

The Board owns the ORSA process with the CRO being responsible for coordinating the underlying ORSA processes and for producing an ORSA report. The underlying processes are undertaken throughout the year and reports for each key process are produced for the Board and reviewed by the Prudential Committee. The ORSA report, which contains the key results and conclusions of the underlying processes, is reviewed by the Risk Committee, and reviewed and approved by the Board.

The underlying ORSA processes are undertaken alongside the relevant activity in the business. For example, the CRO provides an opinion on the business plan, working with Finance to assess the underlying risks. Similarly, the SCR allows for material changes in the business plan, and stress testing is performed considering the key risks to the business. The Board seeks to hold adequate capital resources above the regulatory capital requirements. BGIL’s capital model is used to determine adequacy thresholds and capital resources are regularly monitored, with a plan in place should capital fall below the specified thresholds.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 INTERNAL CONTROLS FRAMEWORK

BGIL has an internal controls framework designed to provide assurance that business objectives, including good customer outcomes and compliance with regulations, are met.

The three lines of defence model (Section B.3.2) is used within the controls framework as follows:

- The first line develops controls and performs a control self-assessment. The Risk team also develops and attests to controls that relate specifically to its areas of responsibility.
- The Risk Function also provides a second line of defence by:
 - Coordinating control related activities and implementing the controls framework.
 - Supporting the first line in developing their controls and providing oversight of first line control self-assessments.
 - Managing the second line review of controls and performing gap analyses of all controls against regulatory frameworks.
 - Performing control effectiveness reviews.
- Internal Audit are responsible for a third line review of controls.

Governance over the internal control framework is achieved through:

- The Management Conduct & Risk Committee:
 - Responsible for ensuring that effective risk management processes are in place within the first line to manage and control the risks to which the business is exposed.
 - Responsible for reviewing controls reports and ensuring the completeness and effectiveness of the control environment.
- The Prudential Committee: responsible for monitoring and managing the performance of financial controls.
- The Risk & Compliance Committee: support the Prudential Committee with monitoring the output of BGIL controls.
- The Risk Committee:
 - Overarching responsibility for the design, maintenance and improvements to the internal control framework.
 - Responsible for oversight of the effectiveness of key controls across the business, including the operation of an integrated assurance plan.

B.4.2 COMPLIANCE FUNCTION

The CRO is responsible for leading the Solvency II Compliance Function. Activities of the Compliance Function include:

- Ensuring ongoing prudential compliance.
- Horizon scanning activity.
- Managing the relationship with the PRA.

BGIL outsources conduct-related compliance to the Group Ethics & Compliance Function, which is responsible for:

- Developing, implementing and communicating the ethics & compliance FCA strategy, structure and process.
- Escalating any FCA compliance matters to BGIL, reporting to the Board and other relevant stakeholders.
- FCA relations and notifications.
- FCA/PRA applications, amendments and withdrawals.

The Risk and Compliance Functions report to the Risk Committee. The effectiveness of the Risk and Compliance Functions is periodically audited by Internal Audit.

B.5 INTERNAL AUDIT FUNCTION

Internal Audit services for BGIL are performed by the Group Internal Audit Function with a BGIL dedicated internal audit lead. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance and internal control processes in relation to defined goals and objectives. Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee, including certain fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

To provide for the independence of Internal Audit, its employees report to the Group Chief Risk and Audit Officer, who reports functionally to the Chair of the Group Audit Committee and administratively to the Group Chief Financial Officer. The operating budget for Internal Audit is prepared according to standard Group guidelines as part of the Group's operating plan process. The Group Audit Committee has ultimate approval over the budget. Internal Audit follows all standard Group processes (e.g., delegation of authority) and adheres to all Group policies.

B.6 ACTUARIAL FUNCTION

The Actuarial Function undertakes those tasks required by Solvency II. An Actuarial Function report is produced annually for the Board which describes the tasks undertaken by the Actuarial Function over the year, provides recommendations, and includes opinions on technical provisions, the underwriting policy and the reinsurance policy.

The Actuarial Function is led by the Chief Actuary (SMF20). Actuarial Function responsibilities are conducted independently of the revenue generating functions of BGIL. The Chief Actuary reports to the Chief Executive Officer with direct escalation routes to the Chair of the Risk Committee, Chair of the Audit Committee, and Chair of the Board. At all times, the Chief Actuary has unrestricted access to relevant information and is not constrained, controlled or unduly influenced in respect of relevant actuarial matters.

Resources in the Actuarial Function are continuously monitored to ensure that the work is carried out by persons who have knowledge of actuarial and financial mathematics commensurate with the nature, scale and complexity of the risks inherent in the business.

B.7 OUTSOURCING

BGIL has outsourcing arrangements for the provision of material services by third party service providers. Material services are those which are critical to the business model or are of such importance that weakness or failure of the services would cause detriment to customers and/or cast serious doubt upon an ability to meet regulatory requirements. BGIL will only outsource material services to group companies. Non-material services may be outsourced to external service providers if the services cannot be obtained in-house.

Centrica Procurement has a Financial Services Material Outsource Procedure which covers BGIL's and BGSL's outsourcing arrangements and has been designed to meet relevant regulations. Services agreements between BGIL and BGSL, and BGIL and Centrica, set out the activities undertaken by each entity. BGSL introduces business to BGIL and undertakes sales & marketing, product design and retail pricing. In addition, some material services are outsourced by BGIL to BGSL including claims handling & fulfilment and policy administration. Under the terms of the services agreement, some complaints handling activity is undertaken directly by BGSL and some is outsourced to BGSL from BGIL. Services outsourced to Group include some compliance activity (B.4.2), Treasury, Internal Audit, Legal, and some HR and IT services.

In some circumstances, BGSL appoints external providers to fulfil services offshore. Examples include additional breakdown call handling support in winter which is provided by a company in South Africa, and some services such as webchat and some back-office support provided by service partners in India. Some support services that are provided by Centrica, but are not critical to BGIL, are outsourced overseas.

The Risk Function, Board Risk Committee and Board (B.1) ensure that risks relating to outsourced services are actively monitored and managed.

B.8 ANY OTHER INFORMATION

B.8.1 ADEQUACY OF SYSTEM OF GOVERNANCE

The system of governance is considered appropriate having regard to the nature, scale and complexity of the risks inherent in the business.

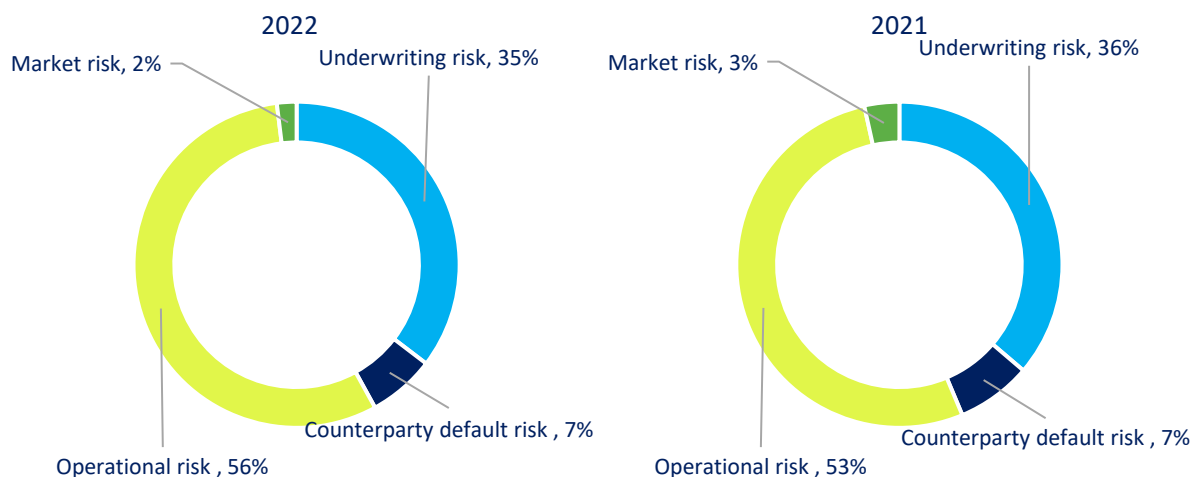
B.8.2 BOARD DIVERSITY POLICY

The Board ensures diversity in recruitment processes and actively promotes diversity at all levels in the business through its Diversity Policy. Throughout the appointment process of board members, due regard is given to ensuring fairness and diversity through consideration of skills, experiences, and competencies. The recruitment process complies with Group HR recruitment processes and the Centrica UK Diversity, Respect and Inclusion Policy.

C RISK PROFILE

(Unaudited)

BGIL's risk profile is a key driver of the SCR. The following chart shows the risk profile in 2022 and in the previous reporting period.



The assessments above are forward-looking and based on pre-diversification across risk-type figures and relate to BGIL's SCR. Note that liquidity risk (Section C.4) and other risks (Section C.6) are not part of the SCR calculation and so are excluded.

BGIL's operational risk is comparatively large. This is mainly because BGIL's underwriting risk is relatively low due to the quick settlement of claims at a fixed unit cost per claim. BGIL also has very low market risk due to its conservative investment strategy (C.2).

BGIL is exposed to material risk concentrations as follows:

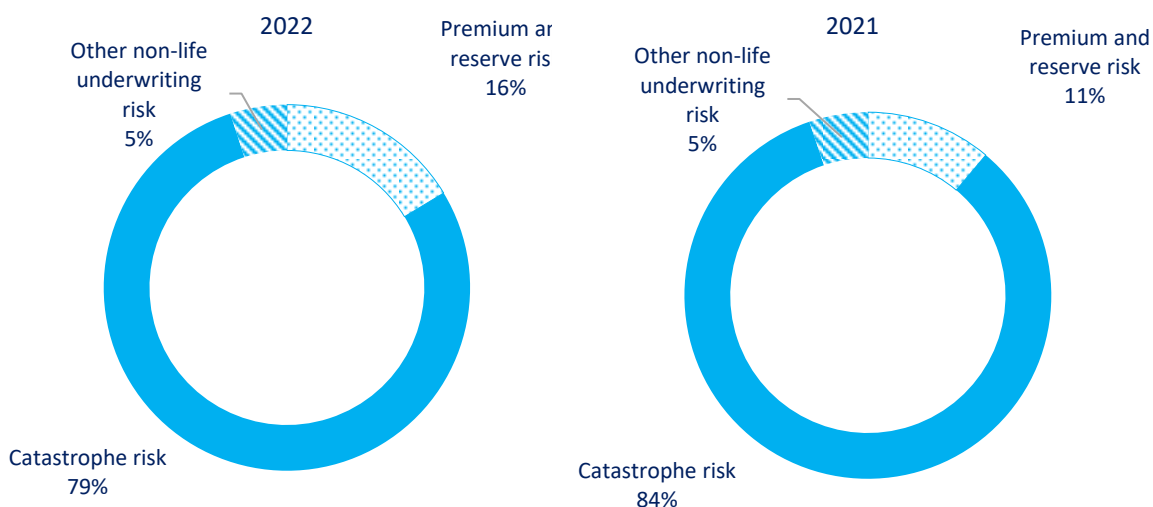
- Product concentration (underwriting risk): BGIL is a mono-line insurer operating only in the UK with large exposure to cold weather risk.
- BGIL's outsourcing relationship with BGSL (Section B.7) creates risk concentrations in terms of counterparty default risk (Section C.3) and operational risk (Section C.5).

C.1 UNDERWRITING RISK

Underwriting risk refers to fluctuations in the timing, frequency and severity of insured events relative to the expectations of the undertaking at the time of underwriting as well as fluctuations in premium volumes relative to the business plan.

The composition of BGIL’s underwriting risk profile is shown below. Underwriting risk is broadly stable compared to the previous reporting period. There has been a change in portfolio composition towards more products with an excess and a reduction in exposure due to reduced holdings offset by an increase in expected costs due to the current high inflationary environment.

Underwriting risk is managed in accordance with BGIL’s Insurance Risk Policy and is assessed using BGIL’s internal model. Further details about the quantification of underwriting risk are included in Section E.2.3.



BGIL’s underwriting risk consists of three main elements:

- Catastrophe risk: cold weather risk is BGIL’s main driver of underwriting risk. In cold weather, there is an increased demand on central heating systems, leading to higher boiler breakdown rates and therefore increased claims.
- Premium and reserve risk considers the volatility of actual claims and premiums compared to those forecast in the business plan. In BGIL, premium and reserve risk is low due to:
 - BGIL’s very short claims development tail: claims are usually reported and settled within a few days.
 - The contractual unit claims cost relationship with BGSL: BGIL pay BGSL a fixed unit cost per claim varying by product.
 - The inherent nature of the insurable risks: in most cases an engineer attends the breakdown rather than the settlement of the claim in cash.
- Other non-life underwriting risks relate to component defect, policy wording and pricing of premiums.

BGIL has several processes and controls in place to manage underwriting risk, including:

- 12-month contract terms after which the Company is entitled to decline cover, or impose renewal terms by amending premiums, policy excess (where applicable), or other policy terms and conditions as appropriate.
- First visits: when a customer first purchases a central heating policy, an engineer visits their property to assess access, safety and insurability. If the findings are adverse, then BGSL works with the customer to address the issues, or the cover is declined. For some products where a first visit does not take place, such as breakdown only, claims cannot be made within 14 days of policy inception.
- Annual Service Visits: primarily a health check, but the annual service visit also provides an opportunity for the early identification of claims and is believed to mitigate underwriting risk.

C.2 MARKET RISK

C.2.1 MARKET RISK PROFILE

Market risk is the risk of loss resulting from fluctuations in the level and volatility of market prices of assets and liabilities.

BGIL's investment strategy is guided by its Investment Risk Policy which aims to mitigate market risk by restricting investments to short duration, sterling-denominated high-quality securities and deposit-based investments. As a result, market risk (calculated using the Standard Formula (Section E.2.4)) is low and has been largely unaffected by the market volatility over 2022.

C.2.2 PRUDENT PERSON PRINCIPLE

The Prudent Person Principle, defined in Article 132 of the Solvency II Directive, includes provisions on how undertakings should invest their assets and is as much a behavioural standard as an assessment of judgements and investment decisions. BGIL's investment strategy and asset allocation are set within the board-approved risk parameters in the Investment Risk Policy. The Prudential Committee reviews and monitors the key risk indicators for the investments.

C.3 CREDIT RISK

Credit risk is defined as the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which BGIL is exposed.

C.3.1 COUNTERPARTY DEFAULT RISK

The exposure to counterparty default risk arises due to BGIL's relationship with BGSL. Since BGSL collects premiums from customers on behalf of BGIL, the insolvency of BGSL could result in premiums not being paid to BGIL.

A services agreement exists between BGIL and BGSL, which governs the relationship and sets out the business model interactions. Under this contract:

- BGSL pays premiums to BGIL.
- BGIL pays BGSL for each service visit or repair.
- BGIL pays BGSL commission for its role in selling and administering insurance policies on BGIL's behalf, including profit commission based on the profitability of business introduced to the Company.
- The intercompany balance is the difference between the amount payable to BGIL from BGSL and that payable from BGIL to BGSL.

Several processes are in place to mitigate BGIL's exposure to counterparty default risk, including:

- The services agreement requires intercompany balance payments to be made monthly to limit exposure to a maximum of one month's debt.
- A trust arrangement has been set up, to which premiums must be diverted in the event of BGSL default.

Counterparty default risk exposure reduced in 2022. The risk is managed in accordance with BGIL's Counterparty Default Risk Policy and is assessed using BGIL's partial internal model (Section E.2.5).

C.3.2 OTHER CREDIT RISK

The only material exposure to credit risk is from BGSL, as described above. Exposure to credit risk on assets and liabilities on the balance sheet is not material. BGIL does not have any outwards reinsurance and has not transferred any risk to special purpose vehicles.

C.4 LIQUIDITY RISK

Liquidity risk is being unable to realise investments and other assets to settle financial obligations when they fall due.

Liquidity risk for BGIL is low and is managed in accordance with BGIL's Liquidity Policy. Liquidity risk is mitigated through investment in highly liquid financial assets and has not been adversely impacted by the pandemic.

Expected Profit in Future Premium (EPIFP), calculated in accordance with Article 260(2) of the Solvency II Delegated Act, amounted to £11.1m (£23.1m in 2021) on 31 December 2022.

C.5 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. It also includes conduct risks and regulatory risks.

A consequence of BGIL's relationship with BGSL (Section B.7) is that many of BGIL's operational risks are derived from BGSL activities. Conduct risk is the main driver of BGIL's operational risk capital requirement. This relates to the risk that poor customer outcomes may lead to premium refunds, higher lapses, a reduction in new business and/or additional remediation costs.

Over 2022, BGI continued to drive and monitor embedding of the conduct risk framework. Oversight is via the common Board and sub-committees, as well as through the services agreement. The services agreement sets out the activities undertaken by each entity and limits BGIL's financial exposure in the event BGSL fails to adequately perform the activities for which it is responsible.

As with all companies that hold customer data, BGIL is exposed to cyber risk. There is an increase in the sophistication of external threats in general and with home working of office-based staff as a result of the pandemic. This has been mitigated by activity to improve resilience. To date, there have not been any material losses due to cyber events. Cyber risk is closely monitored and managed, particularly with regards to the loss of key IT systems and data protection.

The FCA/PRA Operational Resilience requirements are being implemented in the business up to the end of the FCA set transition phase end date of March 2025, including setting tolerance levels for the HomeCare products.

BGSL is working alongside BGIL to implement the FCA's new Consumer Duty requirements with a focus on continuing to provide good outcomes for our insurance customers.

BGIL continues to monitor other upcoming regulatory developments including Customer Duty and the review of Solvency II. BGIL holds capital to fund potential losses arising from operational events. Operational risk is managed in accordance with the BG Insurance Operational Risk Policy and is assessed using BGIL's partial internal model (E.2.6).

C.6 OTHER MATERIAL RISKS

Group Risk

The British Gas brand has a high profile in the UK consumer markets and BGIL has potential exposure to brand damage contagion caused by other parts of the Group or the energy market in general. The principal direct impact of British Gas brand damage to BGIL would be a reduction in business volumes through a loss of existing business.

C.7 ANY OTHER INFORMATION

C.7.1 ENERGY CRISIS

The UK wholesale gas and electricity prices have increased at unprecedented levels over the last year which has led to increases in energy bills for customers, as well as supplier failure. Centrica, British Gas' parent company, operate a robust risk management approach and energy price hedging programme to safeguard against such unforeseen increase in prices. Consequently, Centrica Group and British Gas have remained financially resilient. There has been no direct financial or operational impact on BGIL to date.

C.7.2 COST OF LIVING CRISIS AND HIGH INFLATION

BGIL exposure to sudden high inflation pressure is limited via a contractual agreement with BGSL under which costs are fixed for a period of time, typically one year. Customer retention levels on core products remain strong. BGIL is monitoring the impact of the cost of living crisis.

C.7.3 CLIMATE CHANGE RISK

The Bank of England has identified two key risks relating to climate change:

- Physical risks such as extreme weather events:
 - BGIL includes a 1-in-200 cold weather scenario in its SCR and considers more extreme weather events as part of its stress and scenario testing.
- Transition risks arising from a move to a greener economy which could lead to a large fall in asset values in some sectors, or a higher cost of doing business:
 - There is a risk to the market within which BGIL operates, from a potential move from gas to other forms of energy such as electrification.
 - BGIL invests in short duration, high-quality fixed interest securities and deposit-based investments so is less exposed to transition risks through its asset strategy.

BGIL has embedded the management of climate change risk into its risk management framework.

It has a Board-approved risk appetite statement for climate change and has undertaken some scenario testing in this area. Climate change is an area of management and regulatory focus, and as such, BGIL's work in this area continues to evolve.

C.7.4 IFRS 17

IFRS 17 is an International Financial Reporting Standard that was issued by the International Accounting Standards Board in May 2017. It will replace IFRS 4 on accounting for insurance contracts and has an effective date of 1 January 2023.

Based upon the impact assessment performed, BGIL will not be impacted and do not expect IFRS 17 to have a significant financial or operational impact on the Centrica Group. By applying the Premium Allocation Approach (PAA) and making specific policy decisions, together with good granularity of data from existing systems the impact of the change from IFRS 17 can be minimised and can align large parts of the existing accounting to IFRS 17 measurement.

C.7.5 BREXIT

Brexit has had a limited impact as the Company does not export products and services to EU countries, nor does it have material exposure to currency or interest rate risks.

BGIL's highly liquid assets and low-risk investment strategy ensure that BGIL is resilient to an unexpected economic downturn. Over the longer term, a prolonged period of uncertainty and a dampened economy may have an adverse impact on sales and growth. BGIL continues to carefully monitor economic developments.

C.7.6 SENSITIVITY ANALYSIS

The following table shows some sensitivities for the most material risks, assuming that each sensitivity occurs in isolation, with no other changes.

Risk Type	Sensitivity	Impact on SCR for risk type	Impact on overall SCR
Cold weather (catastrophe underwriting risk)	Increasing cold weather exposure by 10%	10%	4%
Operational risk	Increasing the number of premium refunds within product risk by 30%	11%	6%

A one-notch downgrade in the credit rating assumed for BGSL would not have a material impact on the SCR, and sensitivity analysis is not presented for market risk since it is a small proportion of BGIL’s overall risk profile.

C.7.7 STRESS AND SCENARIO TESTING

Stress and scenario testing is part of BGIL’s risk management process and is used to evaluate its financial position under severe but plausible events. Its value lies in enhancing management understanding of the financial vulnerability and viability of BGIL.

Stress and scenario testing is conducted at various times throughout the year to assist with risk-based decision making. The analysis undertaken highlights that while there is profit exposure to several emerging themes, such as adverse customer purchasing behaviour resulting from rising inflation and costs, BGIL continues to be profitable under these scenarios with a robust solvency coverage ratio. These risks are closely monitored.

BGIL has a financial recovery framework and plan which defines roles and responsibilities and sets out the management options that could be taken in times of stress to facilitate the recovery of BGIL’s own funds.

C.7.8 REVERSE STRESS TESTING

BGIL also undertakes reverse stress testing which considers circumstances that would render BGIL’s business model inviable, thereby identifying potential business vulnerabilities. Reverse stress testing starts from an outcome of business failure and identifies potential circumstances which might trigger this. This includes the extreme risks which are usually dismissed on the basis that they are very unlikely to happen and is different to general stress and scenario testing which assesses outcomes arising from changes in circumstances.

Reverse stress testing affirms the very low likelihood of BGIL becoming inviable. The potential causes of inviability were explored and such causes, while not impossible, are judged implausible given the nature of BGIL’s business and risk profile.

D VALUATION FOR SOLVENCY PURPOSES

(Audited)

The Company's annual financial statements are prepared under UK GAAP. The balance sheet on a UK GAAP basis and the Solvency II basis is shown below.

Balance sheet as at 31 December	2022 UK GAAP value £m	2022 SII value £m	2022 Difference £m	2021 UK GAAP value £m	2021 SII value £m	2021 Difference £m
Assets						
Deferred acquisition costs	237.8	0.0	(237.8)	242.6	0.0	(242.6)
Investments						
Collective investment undertakings	147.9	147.9	0.0	152.4	152.4	0.0
Insurance & intermediaries receivables	440.6	0.0	(440.6)	466.3	0.0	(466.3)
Cash and cash equivalents	0.1	0.1	0.0	0.1	0.1	0.0
Any other assets, not elsewhere shown	1.4	0.0	(1.4)	1.1	0.0	(1.1)
Total assets	827.8	148.1	(679.7)	862.4	152.5	(709.9)
Liabilities						
Technical provisions	(460.0)	(10.0)	450.0	(480.6)	11.1	491.8
Deferred tax liabilities	0.0	(2.5)	(2.5)	0.0	(4.1)	(4.1)
Insurance & intermediaries payables	(240.5)	0.0	240.5	(239.8)	0.0	239.8
Any other liabilities, not elsewhere shown	(27.8)	(27.8)	0.0	(31.7)	(31.7)	0.0
Total liabilities	(728.3)	(40.3)	688.0	(752.1)	(24.7)	727.5
Excess of assets over liabilities/own funds	99.5	107.8	8.3	110.3	127.8	17.5

Units in collective investment undertakings are available for sale and are recorded on the balance sheet at fair value. The UK GAAP valuation is consistent with Solvency II requirements, so there is no difference between the two bases.

Under Solvency II, UK GAAP unearned premium provision, deferred acquisition costs and insurance debtors and creditors that are not past due are removed from the balance sheet and replaced with Solvency II provisions, such as premium provisions and risk margin. The difference between UK GAAP and Solvency II gives rise to a reconciliation reserve to which deferred tax is applied at the prevailing rate. Further detail on the calculation of technical provisions is included in Section D.2.

D.1 ASSETS

D.1.1 VALUE OF ASSETS

Assets as at 31 December	2022 £m	2021 £m
Collective investment undertakings	147.9	152.4
Cash and cash equivalents	0.1	0.1
Total assets	148.0	152.5

There has been no material change in investment holdings.

D.1.2 BASIS OF VALUATION

Collective investment undertakings comprise units in short term money market funds. They are classed as low volatility net asset value (LVNAV) funds working within a very narrow bid and offer spread. Units in the funds are valued at the quoted market price at 31 December.

The cash and cash equivalents balance represent fair value on demand balances with financial institutions. All investments are denominated in sterling.

D.2 TECHNICAL PROVISIONS

D.2.1 VALUE OF TECHNICAL PROVISIONS

Non-life technical provisions as at 31 December	2022 £m	2021 £m
Premium provisions	(2.7)	(15.6)
Claims provisions	8.3	(0.1)
Best estimate liabilities	5.6	(15.7)
Risk margin	4.4	4.6
Technical provisions	10.0	(11.1)

The technical provisions as of 31 December 2021 was a negative liability of £11.1m, compared to a liability of £10.0m at year-end 2022.

Claims provisions have increased from 2021 due to a period of exceptional cold weather in December 2022.

Premium provisions are a negative liability reflecting the expectation that bound business at 31 December 2022 will be profitable and that customers pay the premium by instalments. Premium provisions have increased over the year primarily driven by a change in the costs payable under the contractual services agreement with BGSL.

D.2.2 BASIS OF VALUATION

Technical provisions are defined as the discounted probability-weighted average of future cash flows. Discounting is based on PRA's risk free rate but has minimal impact for BGIL. Technical provisions consist of claims provisions, premiums provisions and a risk margin.

Claims Provisions

Claims provisions are the discounted best estimate of all future cashflows relating to claims events prior to the valuation date.

Claims provisions consist of outstanding claims, IBNR and the intercompany balance payable to BGSL at the year-end. Outstanding claims are based on claims volumes outstanding and contractual amounts due at the valuation date. IBNR relates to estimated claims that have occurred but have not yet been notified. Information on the intercompany balance is included in Section C.3.1. Given the short-tailed nature of claims, there is no allowance for ENID within claims provisions.

Premium Provisions

Premium provisions are the discounted best estimate of all future cashflows relating to future exposure arising from policies for which BGIL has an obligation at the valuation date.

BGIL has used a simplified method to determine its premium provision, proportionate to underlying risks and taking account of Article 56 [Proportionality] of the Solvency II Delegated Act.

Business plan loss ratios are used to calculate expected future cash flows regarding policies in force. Allowance is also made for BBNI policies which have not been incepted at the valuation date but for which BGIL has an obligation to provide insurance cover, such as issued renewals. A deduction is made for mid-term cancellations on in-force policies and renewal lapses on policies invited but not taken up.

The premium provisions include an allowance for ENID, which is based on a consideration of adverse scenarios.

Risk Margin

The risk margin increases the overall value of the technical provisions from the discounted best estimate to an amount equivalent to a theoretical level needed to transfer the obligations to another insurance undertaking.

The risk margin is estimated by applying a 6% (determined by PRA) cost of capital charge to the sum of the present value of the entire projected SCR in each future year of exposure. Solvency II allows the use of a partial SCR in the calculation, but the use of the full SCR is considered to be appropriate and proportionate given BGIL's risk profile.

Expenses

Solvency II requires all future expenses incurred in fulfilling existing insurance contracts to be taken into account. The table below illustrates the types of expenses included in claims and premium provisions.

Expense Type	Claims provisions	Premium provisions
Administration		✓
Claims management	✓	✓
Acquisition		✓

D.2.3 MATERIAL CHANGES TO ASSUMPTIONS

There have been no material changes to assumptions.

D.2.4 UNCERTAINTY

The Actuarial Function calculate the uncertainty in the technical provisions. The short tail and stable nature of BGIL's insurance activities results in low levels of both absolute technical provisions and their uncertainty.

D.3 OTHER LIABILITIES

Other liabilities as at 31 December	2022 £m	2021 £m
Insurance premium tax (IPT)	25.8	27.6
Corporation tax	0.5	2.3
Sundry accruals	0.8	1.1
Other creditors	0.7	0.7
Any other liabilities, not elsewhere shown	27.8	31.7

D.4 ALTERNATIVE METHODS FOR VALUATION

Alternative methods of valuation for assets and liabilities permitted under EIOPA Delegated Act Article 296(4) are not applied.

D.5 ANY OTHER INFORMATION

BGIL does not use the following adjustments:

- The matching adjustment referred to in Article 77b of the Solvency II Directive.
- The volatility adjustment referred to in Article 77d of the Solvency II Directive.
- The transitional risk-free interest rate term structure referred to in Article 308c of the Solvency II Directive.
- The transitional deduction referred to in Article 308d of the Solvency II Directive.

BGIL has no reinsurance contracts and does not use special purpose vehicles and has no recoverable from these arrangements.

E CAPITAL MANAGEMENT

(E1, E5, E6: audited, E2 – E4: unaudited)

E.1 OWN FUNDS

BGIL's objective is to maintain appropriate levels of capital to meet claims as they fall due, protect the interests of customers and meet operating needs and regulatory requirements.

E.1.1 SUMMARY OF OWN FUNDS

Own funds at 31 December	2022 £m	2021 £m
Excess of assets over liabilities (section D)	107.8	127.8
Foreseeable dividends	0.0	0.0
Eligible own funds (tier 1)	107.8	127.8
Of which:		
Ordinary share capital (fully paid)	5.0	5.0
Reconciliation reserve	102.8	122.8

Eligible own funds represent Solvency II net assets less foreseeable dividends approved by the Board, but not paid at 31 December. The Solvency II reconciliation reserve represents own funds less share capital and foreseeable dividends.

The analysis of change of own funds over the year is as follows:

Analysis of change of own funds	2022 £m	2021 £m
Own funds at start of year	127.8	116.3
Foreseeable dividend	0.0	0.0
Eligible own funds at start of year	127.8	116.3
Increase in own funds during the year	10.0	60.5
Dividend paid	(30.0)	(49.0)
Foreseeable dividend	0.0	0.0
Eligible own funds at end of year	107.8	127.8

In 2022, although BGIL was financially resilient, the Board took into account the uncertainties arising from the cost of living crisis and agreed to defer further dividend payments until later in the year when there was clarity in the external economic environment.

BGIL paid an interim dividend of £30m in October 2022. The company is financially resilient.

All own funds at 31 December 2022 and 31 December 2021 met the criteria to be classified as Tier 1 unrestricted basic own funds, as set out in Article 71 of the Solvency II Delegated Act:

- The own funds are immediately available to absorb losses.
- They are undated so there is no obligation for repayment.
- Dividends are approved by the Board and can be cancelled at any time prior to payment.
- There are no mandatory servicing costs.

There are no significant restrictions affecting the availability and transferability of own funds within BGIL.

All eligible own funds are available to cover the SCR (Section E.2.7) and the MCR (Section E.2.8).

E.1.2 CAPITAL MANAGEMENT POLICY

A business plan is prepared at least annually. Monthly actual positions are reported against the plan. Forecast updates are prepared in the event of any significant deviation from the plan or material changes in business strategy.

Capital resources are managed in accordance with the Capital Management Policy, which is reviewed by the Board on an annual basis. The key objective is to maintain sufficient own funds to safeguard the Company's ability to continue as a going concern and to protect the interests of customers, investors and regulators while also efficiently deploying own funds and managing risk to sustain ongoing business development. Own funds are regularly monitored, and management intervention and actions are required at particular thresholds.

BGIL's approach at year-end is to distribute audited and approved own funds in excess of capital risk appetite to its parent company, subject to ongoing business performance being within risk appetite, specific requirements as detailed in BGIL's Dividend Policy, and other relevant factors. Funds in excess of BGIL's capital risk appetite may be distributed at other times throughout the year in accordance with BGIL's Dividend Policy and following Board approval.

E.1.3 DIFFERENCE BETWEEN EQUITY IN FINANCIAL STATEMENTS AND EXCESS OF ASSETS OVER LIABILITIES

The following table shows the differences between the equity in the financial statements, calculated on a UK GAAP basis, and the excess of assets over liabilities (own funds) calculated on a Solvency II basis.

UK GAAP to SII as at 31 December	2022 £m	2021 £m
Equity in the financial statements/shareholders funds	99.5	110.3
Remove UK GAAP insurance balances	12.4	10.7
<i>Add Solvency II balances:</i>		
Premium provisions	2.8	15.6
Risk margin	(4.4)	(4.6)
Tax on reconciliation reserve	(2.5)	(4.1)
Excess of assets over liabilities/own funds	107.8	127.8
Foreseeable dividend	0.0	0.0
Eligible own funds (tier 1)	107.8	127.8

E.1.4 ANY OTHER INFORMATION

There are no basic own fund items subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of the Solvency II Directive.

BGIL does not have any ancillary own funds.

There are no significant restrictions affecting the availability and transferability of own funds within the undertaking.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR represents the level of eligible own funds required to provide assurance that the Company can absorb significant losses in 1-in-200 year scenarios and still meet policyholders' claims costs and other obligations as they fall due.

E.2.1 PARTIAL INTERNAL MODEL

BGIL calculates its SCR using a partial internal model. The internal model is used for insurance risk, operational risk and counterparty risk, with the Standard Formula used for market risk and aggregation across risk types.

Uses

The partial internal model is also used in the ongoing management of the business including:

- For capital management purposes including determining the level of dividends and defining an appropriate solvency capital margin.
- In the ORSA process and report.
- To assess reinsurance requirements (currently, no reinsurance is purchased).
- In stress and scenario testing and reverse stress testing.

Method

The separate risk modules of the model use different methods for the calculation of the probability distribution forecast as follows:

- Underwriting risk:
 - Catastrophe (cold weather) risk: Met Office temperature data and company-specific demand data, together with predictive modelling techniques, are used to create an empirical temperature-demand distribution from which a probability distribution is created.
 - Premium and reserve risk: attrition claims frequency is modelled stochastically.
- Operational risk: several scenarios at various return periods are considered and used to create a probability distribution.
- Counterparty default risk uses a stochastic model based on internal and external data.

Time Period

Solvency II requires firms to calculate the SCR over the following 12 months (Article 101 of the Solvency II Directive). Alternative methods are possible under Article 122. For BGIL, a bespoke model is used to provide sufficient protection to policy holders in accordance with Article 122 and as approved by the PRA.

Data

The model uses data from various internal and external sources including:

- Business plan.
- Met Office temperature data.
- Event loss data.
- Debt default and recovery rates.

The data is handled in accordance with BGIL's Data Quality Policy which ensures that relevant data is accurate, complete, and appropriate, enabling BGIL to effectively manage its business and to meet regulatory and statutory obligations, including Solvency II data quality standards.

E.2.2 OVERALL SCR

The table below shows BGIL's SCR for each risk module.

Solvency Capital Requirement as at 31 December	2022 £m	2021 £m
Non-life underwriting risk	26.2	28.2
Market risk	1.4	2.7
Counterparty default risk	4.9	5.8
Operational risk	41.6	41.1
Diversification	(3.2)	(4.4)
Total SCR	71.0	73.4

There is a non-material decrease in the SCR primarily due to fewer policies in force at year-end 2022 compared to year-end 2021. Further information is included in sections 0 to E.2.6.

No capital add-on is applied to the SCR.

E.2.3 UNDERWRITING RISK

Underwriting risk has been reduced primarily due to a reduction in exposure.

Premium and reserve risk is net of a profit offset. Further information about underwriting risk is included in Section 0.

Underwriting risk as at 31 December	2022 £m	2021 £m
Premium and reserve risk	5.9	4.3
Catastrophe risk	28.5	32.4
Other non-life underwriting risk	1.8	2.0
Diversification	(10.0)	(10.5)
Total underwriting risk	26.2	28.2

E.2.4 MARKET RISK

Market risk is calculated using the Standard Formula as it is considered to fairly reflect BGIL's risk profile and capital requirement. No material simplifications permitted in the Standard Formula have been used.

Market risk as at 31 December	2022 £m	2021 £m
Interest rate risk	0.4	0.2
Spread risk	0.2	0.2
Concentration risk	1.4	2.7
Diversification	(0.5)	(0.4)
Total market risk	1.4	2.7

Reduction in Concentration risk driven by the number of counterparties where BGIL has greater than 3% exposure in has decreased for roughly the same total exposure. BGIL's investments are all sterling-denominated and so there is no currency risk.

E.2.5 COUNTERPARTY DEFAULT RISK

The table below shows that counterparty default risk has slightly decreased. Further information about counterparty default risk is included in Section C.3.

Counterparty default risk (credit risk) as at 31 December	2022 £m	2021 £m
Total counterparty default risk	4.9	5.8

E.2.6 OPERATIONAL RISK

Operational risk capital has slightly increased by £0.4m driven by updated stresses for the scenarios

Further information about operational risk is included in Section C.5.

Operational risk as at 31 December	2022 £m	2021 £m
Total operational risk	41.6	41.1

E.2.7 RATIO OF ELIGIBLE OWN FUNDS TO SCR

Solvency II surplus as at 31 December	2022 £m	2021 £m
Eligible own funds (tier 1)	107.8	127.8
Solvency Capital Requirement	71.0	73.4
Solvency II surplus	36.8	54.4
Ratio of eligible own funds to SCR	152%	174%

The decrease in SCR ratio of 22 percentage points is due to £30m dividend payments in October 2022 and reduced underwriting performance therefore reducing own funds are held at year end.

BGIL's own funds remain in appetite and above its target threshold.

E.2.8 MINIMUM CAPITAL REQUIREMENT

BGIL is required to report the MCR, which is a regulatory figure representing the absolute minimum level below which own funds should not fall. While the SCR is driven by a bespoke, PRA-approved model designed to reflect BGIL's risk profile, the MCR calculation is a linear formula based on GWP and technical provisions and is subject to a defined floor of 25% of SCR and a cap of 45% of SCR. As such, caution needs to be exercised when comparing with BGIL's SCR, or with the MCR of other companies. The MCR (capped at 45% of SCR) and capital coverage of the MCR is shown below. All of BGIL's own funds are classed as Tier 1 and are therefore available to meet the MCR.

Capital coverage of MCR as at 31 December	2022 £m	2021 £m
Eligible own funds (tier 1)	107.8	127.8
MCR	31.9	33.1
Ratio of eligible own funds to MCR	338%	387%

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

The duration-based equity risk sub-module in the calculation of the SCR is not used.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND PARTIAL INTERNAL MODEL

The following table shows how BGIL's SCR calculated using the PRA-approved partial internal model compares with the calculation using the Standard Formula. Non-life underwriting risk calculated using the Standard Formula has decreased due to a reduction in gross earned premium compared to the previous year.

Comparison with Standard Formula as at 31 December	2022			2021		
	Standard Formula £m	Partial Internal Model £m	Difference £m	Standard Formula £m	Partial Internal Model £m	Difference £m
Non-life underwriting risk	167.1	26.2	(140.9)	180.7	28.2	(152.5)
Market risk	1.4	1.4	0.0	2.7	2.7	0.0
Counterparty default risk	0.0	4.9	4.9	0.0	5.8	5.8
Diversification	(1.1)	(3.2)	(2.1)	(2.0)	(4.4)	(2.4)
Basic solvency capital requirement	167.5	29.4	(138.1)	181.4	32.3	(149.1)
Operational risk	25.6	41.6	15.9	27.2	41.1	13.9
Solvency Capital Requirement	193.1	71.0	(122.1)	208.6	73.4	(135.2)

The Standard Formula for underwriting risk produces a capital requirement higher than under BGIL's internal model due to material differences in the assumptions used by PRA in the Standard Formula and those used in BGIL's internal model. The internal model better reflects BGIL's low underwriting risk characterised by the short tail nature of the business and contractually fixed unit claims costs.

Counterparty default risk calculated using the Standard Formula is negligible and does not adequately reflect BGIL's business relationship with BGSL. Under the Standard Formula calculation, operational risk capital is based on gross earned premium at the year-end and does not adequately reflect BGIL's risk profile. BGIL's partial internal model uses the Standard Formula to calculate market risk as this is considered to fairly reflect BGIL's risk profile. No material simplifications have been made, and BGIL does not use any undertaking-specific parameters within the Standard Formula calculation.

E.5 NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR

BGIL has maintained sufficient own funds to meet both the SCR and the MCR throughout the reporting period.

E.6 ANY OTHER INFORMATION

There is no other material information to report.

F GLOSSARY

Term	Meaning within document
BBNI	Bound But Not Incepted
BGIL or the Company	British Gas Insurance Limited
BGSL	British Gas Services Limited
COR	Combined Operating Ratio
CRO	Chief Risk Officer
EIOPA	European Insurance and Occupational Pensions Authority
ENID	Events Not in Data
EPIFP	Expected Profit in Future Premium
FCA	Financial Conduct Authority
GBGH	GB Gas Holdings Limited
GWP	Gross Written Premium
IBNR	Incurred But Not Reported
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
SCR	Solvency Capital Requirement
Solvency II Directive	Directive 2009/138/EC of the European Parliament and of the Council
Solvency II Delegated Act	Commission Delegated Regulation (EU) 2015/35
UK GAAP	UK Generally Accepted Accounting Practice

G APPENDIX: PUBLIC QUANTITATIVE REPORTING TEMPLATES

British Gas Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

General information

Undertaking name	British Gas Insurance Limited
Undertaking identification code	213800QKXD83EEO79W25
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting submission date	2023-04-08
Financial year end	2022-12-31
Reporting reference date	2022-12-31
Regular/Ad-hoc submission	Regular reporting
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Partial internal model
Use of undertaking specific parameters	Don't use undertaking specific parameters
Ring-fenced funds	Not reporting activity by RFF
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions
Initial submission or re-submission	Initial submission
Exemption of reporting ECAI information	Not exempted

List of reported templates

- S.02.01.01 - Balance sheet
- S.05.01.01 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.02.01 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.01
Balance sheet

		Solvency II value
		C0010
Assets		
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0.00
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	147,925,135.16
R0080	<i>Property (other than for own use)</i>	0.00
R0090	<i>Holdings in related undertakings, including participations</i>	0.00
R0100	<i>Equities</i>	0.00
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	0.00
R0140	<i>Government Bonds</i>	0.00
R0150	<i>Corporate Bonds</i>	0.00
R0160	<i>Structured notes</i>	0.00
R0170	<i>Collateralised securities</i>	0.00
R0180	<i>Collective Investments Undertakings</i>	147,925,135.16
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0.00
R0210	<i>Other investments</i>	0.00
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0.00
R0240	<i>Loans on policies</i>	0.00
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	0.00
R0280	<i>Non-life and health similar to non-life</i>	0.00
R0290	<i>Non-life excluding health</i>	0.00
R0300	<i>Health similar to non-life</i>	0.00
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0.00
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0.00
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00
R0410	Cash and cash equivalents	133,593.72
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	148,058,728.88

S.02.01.01

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	10,012,779.49
R0520	<i>Technical provisions - non-life (excluding health)</i>	10,012,779.49
R0530	<i>TP calculated as a whole</i>	0.00
R0540	<i>Best Estimate</i>	5,577,779.49
R0550	<i>Risk margin</i>	4,435,000.00
R0560	<i>Technical provisions - health (similar to non-life)</i>	0.00
R0570	<i>TP calculated as a whole</i>	0.00
R0580	<i>Best Estimate</i>	0.00
R0590	<i>Risk margin</i>	0.00
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0.00
R0610	<i>Technical provisions - health (similar to life)</i>	0.00
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0.00
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0.00
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	2,471,396.96
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,972,423.28
R0850	Subordinated liabilities	0.00
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0.00
R0880	Any other liabilities, not elsewhere shown	25,806,113.33
R0900	Total liabilities	40,262,713.06
R1000	Excess of assets over liabilities	107,796,015.82

5.05.01.01

Premiums, claims and expenses by line of business

	Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																	
R0110 Gross - Direct Business												829,059,088.31					829,059,088.31
R0120 Gross - Proportional reinsurance accepted																	0.00
R0130 Gross - Non-proportional reinsurance accepted																	0.00
R0140 Reinsurers' share																	0.00
R0200 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	829,059,088.31	0.00	0.00	0.00	0.00	829,059,088.31
Premiums earned																	
R0210 Gross - Direct Business												853,562,036.17					853,562,036.17
R0220 Gross - Proportional reinsurance accepted																	0.00
R0230 Gross - Non-proportional reinsurance accepted																	0.00
R0240 Reinsurers' share																	0.00
R0300 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	853,562,036.17	0.00	0.00	0.00	0.00	853,562,036.17
Claims incurred																	
R0310 Gross - Direct Business												357,189,806.30					357,189,806.30
R0320 Gross - Proportional reinsurance accepted																	0.00
R0330 Gross - Non-proportional reinsurance accepted																	0.00
R0340 Reinsurers' share																	0.00
R0400 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	357,189,806.30	0.00	0.00	0.00	0.00	357,189,806.30
Changes in other technical provisions																	
R0410 Gross - Direct Business																	0.00
R0420 Gross - Proportional reinsurance accepted																	0.00
R0430 Gross - Non-proportional reinsurance accepted																	0.00
R0440 Reinsurers' share																	0.00
R0500 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenses incurred																	
R0550 Administrative expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	474,879,178.38	0.00	0.00	0.00	0.00	474,879,178.38
R0610 Gross - Direct Business																	0.00
R0620 Gross - Proportional reinsurance accepted																	0.00
R0630 Gross - Non-proportional reinsurance accepted																	0.00
R0640 Reinsurers' share																	0.00
R0700 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment management expenses																	
R0710 Gross - Direct Business												158,931.97					158,931.97
R0720 Gross - Proportional reinsurance accepted																	0.00
R0730 Gross - Non-proportional reinsurance accepted																	0.00
R0740 Reinsurers' share																	0.00
R0800 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	158,931.97	0.00	0.00	0.00	0.00	158,931.97
Claims management expenses																	
R0810 Gross - Direct Business												42,877,490.00					42,877,490.00
R0820 Gross - Proportional reinsurance accepted																	0.00
R0830 Gross - Non-proportional reinsurance accepted																	0.00
R0840 Reinsurers' share																	0.00
R0900 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	42,877,490.00	0.00	0.00	0.00	0.00	42,877,490.00
Acquisition expenses																	
R0910 Gross - Direct Business												423,188,950.00					423,188,950.00
R0920 Gross - Proportional reinsurance accepted																	0.00
R0930 Gross - Non-proportional reinsurance accepted																	0.00
R0940 Reinsurers' share																	0.00
R1000 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	423,188,950.00	0.00	0.00	0.00	0.00	423,188,950.00
Overhead expenses																	
R1010 Gross - Direct Business												8,653,806.41					8,653,806.41
R1020 Gross - Proportional reinsurance accepted																	0.00
R1030 Gross - Non-proportional reinsurance accepted																	0.00
R1040 Reinsurers' share																	0.00
R1100 Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,653,806.41	0.00	0.00	0.00	0.00	8,653,806.41
R1200 Other expenses																	0.00
R1300 Total expenses																	474,879,178.38

S.05.02.01

Premiums, claims and expenses by country

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Non-life							
Premiums written							
R0110	Gross - Direct Business	829,059,088.31					829,059,088.31
R0120	Gross - Proportional reinsurance accepted						0.00
R0130	Gross - Non-proportional reinsurance accepted						0.00
R0140	Reinsurers' share						0.00
R0200	Net	829,059,088.31					829,059,088.31
Premiums earned							
R0210	Gross - Direct Business	853,562,036.17					853,562,036.17
R0220	Gross - Proportional reinsurance accepted						0.00
R0230	Gross - Non-proportional reinsurance accepted						0.00
R0240	Reinsurers' share						0.00
R0300	Net	853,562,036.17					853,562,036.17
Claims incurred							
R0310	Gross - Direct Business	357,189,806.30					357,189,806.30
R0320	Gross - Proportional reinsurance accepted						0.00
R0330	Gross - Non-proportional reinsurance accepted						0.00
R0340	Reinsurers' share						0.00
R0400	Net	357,189,806.30					357,189,806.30
Changes in other technical provisions							
R0410	Gross - Direct Business						0.00
R0420	Gross - Proportional reinsurance accepted						0.00
R0430	Gross - Non-proportional reinsurance accepted						0.00
R0440	Reinsurers' share						0.00
R0500	Net	0.00					0.00
R0550	Expenses incurred	474,879,178.38					474,879,178.38
R1200	Other expenses						0.00
R1300	Total expenses						474,879,178.38

S.17.01.01
Non-Life Technical Provisions

Direct business and accepted proportional reinsurance												Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance		
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0180	
Technical provisions calculated as a whole												
R0010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0020	Direct business											0.00
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole											0.00
Technical provisions calculated as a sum of BE and RM												
Best estimate												
Premium provisions												
R0060	Gross - Total											-2,763,288.42
R0070	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-2,763,288.42
R0100	Gross - direct business											-2,763,288.42
R0100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0110	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default											0.00
R0110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0120	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses											0.00
R0120	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0130	Recoverables from SPV before adjustment for expected losses											0.00
R0130	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0140	Recoverables from Finite Reinsurance before adjustment for expected losses											0.00
R0140	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default											0.00
R0150	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-2,763,288.42
R0150	Net Best Estimate of Premium Provisions											-2,763,288.42
Claims provisions												
R0160	Gross - Total											8,341,067.91
R0170	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,341,067.91
R0170	Gross - direct business											8,341,067.91
R0200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0200	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default											0.00
R0210	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0210	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses											0.00
R0220	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0220	Recoverables from SPV before adjustment for expected losses											0.00
R0230	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0230	Recoverables from Finite Reinsurance before adjustment for expected losses											0.00
R0240	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default											0.00
R0250	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,341,067.91
R0250	Net Best Estimate of Claims Provisions											8,341,067.91
R0260	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,577,779.49
R0260	Total best estimate - gross											5,577,779.49
R0270	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,577,779.49
R0270	Total best estimate - net											5,577,779.49
R0280	Risk margin											4,435,000.00
R0280	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,435,000.00
Amount of the transitional on Technical Provisions												
R0290	TP as a whole											0.00
R0300	Best estimate											0.00
R0310	Risk margin											0.00
R0320	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,012,779.49	10,012,779.49
R0320	Technical provisions - total											10,012,779.49
R0330	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total											0.00
R0340	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,012,779.49
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total											10,012,779.49

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											0.00	0.00	
R0160	N-9	561,863,074.17	6,776,596.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	568,639,670.84
R0170	N-8	523,183,561.42	7,714,819.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	530,898,381.39
R0180	N-7	505,999,703.93	4,495,021.95	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	510,494,725.88
R0190	N-6	485,541,895.66	5,810,912.30	0.00	0.00	0.00	0.00	0.00				0.00	0.00	491,352,807.96
R0200	N-5	472,645,253.67	7,423,250.05	0.00	0.00	0.00	0.00					0.00	0.00	480,068,503.72
R0210	N-4	508,033,362.51	5,566,059.36	0.00	0.00	0.00						0.00	0.00	513,599,421.87
R0220	N-3	452,370,029.74	5,447,215.34	0.00	0.00							0.00	0.00	457,817,245.08
R0230	N-2	344,662,560.17	6,379,680.33	0.00								0.00	0.00	351,042,240.50
R0240	N-1	355,113,749.12	2,746,742.17									2,746,742.17	0.00	357,860,491.29
R0250	N	393,479,879.51										393,479,879.51	0.00	393,479,879.51
R0260														
	Total											396,226,621.68		4,655,253,368.04

Gross undiscounted Best Estimate Claims Provisions												
(absolute amount)												
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Development year										Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +	
	Prior											0.00
	N-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	N-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00
	N-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00				0.00
	N-6	0.00	0.00	0.00	0.00	0.00	0.00					0.00
	N-5	0.00	0.00	0.00	0.00	0.00						0.00
	N-4	0.00	0.00	0.00	0.00							0.00
	N-3	0.00	0.00	0.00	0.00							0.00
	N-2	0.00	0.00	0.00								0.00
	N-1	0.00	0.00									0.00
	N	8,341,016.62										0.00
	Total											0.00

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
5,000,100.00	5,000,100.00		0.00	
0.00	0.00		0.00	
0.00	0.00		0.00	
0.00		0.00	0.00	0.00
0.00	0.00			
0.00		0.00	0.00	0.00
0.00		0.00	0.00	0.00
102,795,915.82	102,795,915.82			
0.00		0.00	0.00	0.00
0.00				0.00
0.00	0.00	0.00	0.00	0.00

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
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0.00

Deductions

R0230	Deductions for participations in financial and credit institutions
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0.00

Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00			0.00	0.00

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

107,796,015.82	107,796,015.82	0.00	0.00	0.00
107,796,015.82	107,796,015.82	0.00	0.00	
107,796,015.82	107,796,015.82	0.00	0.00	0.00
107,796,015.82	107,796,015.82	0.00	0.00	

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

70,967,104.83
31,935,197.17
151.90%
337.55%

Reconciliation reserve

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

C0060
107,796,015.82
0.00
5,000,100.00
0.00
102,795,915.82

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

11,122,020.51
11,122,020.51

S.25.02.01

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	Consideration of the future management actions regarding technical provisions and/or deferred taxes	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0050	C0060	C0070	C0090	C0120
1	50100I	Premium risk	5,923,220.70	5,923,220.70	No embedded consideration of future management actions	5,923,220.70	9
2	50300I	non-life catastrophe risk	28,487,290.12	28,487,290.12	No embedded consideration of future management actions	28,487,290.12	9
3	50500I	Other non-life uw risk	1,813,204.36	1,813,204.36	No embedded consideration of future management actions	1,813,204.36	9
4	55900I	non-life uw diversification	-10,001,856.79	-10,001,856.79	No embedded consideration of future management actions	-10,001,856.79	9
5	10200I	Interest rate risk	408,286.38	408,286.38	No embedded consideration of future management actions	408,286.38	9
6	10700I	Spread risk	211,104.58	211,104.58	No embedded consideration of future management actions	211,104.58	9
7	10800I	Concentration risk	1,366,391.51	1,366,391.51	No embedded consideration of future management actions	1,366,391.51	9
8	19900I	Market risk - Diversification	-544,155.38	-544,155.38	No embedded consideration of future management actions	-544,155.38	9
9	20100I	Counterparty default risk	4,920,440.53	4,920,440.53	No embedded consideration of future management actions	4,920,440.53	9
10	70100I	Operational risk	41,550,344.87	41,550,344.87	No embedded consideration of future management actions	41,550,344.87	9

S.25.02.01

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Calculation of Solvency Capital Requirement		C0100
R0110	Total undiversified components	84,680,283.05
R0060	Diversification	-13,713,178.22
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency capital requirement excluding capital add-on	70,967,104.83
R0210	Capital add-ons already set	
R0220	Solvency capital requirement	70,967,104.83
Other information on SCR		
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment
R0460	Net future discretionary benefits	
Approach to tax rate		
R0590	Approach based on average tax rate	
Calculation of loss absorbing capacity of deferred taxes		
		Before the shock
		C0110
R0600	DTA	
R0610	DTA carry forward	
R0620	DTA due to deductible temporary differences	
R0630	DTL	
		After the shock
		C0120
R0600	DTA	
R0610	DTA carry forward	
R0620	DTA due to deductible temporary differences	
R0630	DTL	
		LAC DT
		C0130
R0640	Amount/estimate of LAC DT	
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	
R0670	Amount/estimate of AC DT justified by carry back, current year	
R0680	Amount/estimate of LAC DT justified by carry back, future years	
R0690	Amount/estimate of Maximum LAC DT	

5.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010	MCR _{NL} Result	C0010	73,694,085.34
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R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	
		C0020
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
	5,577,779.49	854,783,745.38
	0.00	
	0.00	
	0.00	
	0.00	
	0.00	

Linear formula component for life insurance and reinsurance obligations

R0200	MCR _L Result	C0040	0.00
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R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk		
		C0050	C0060

Overall MCR calculation

R0300	Linear MCR	C0070	73,694,085.34
R0310	SCR		70,967,104.83
R0320	MCR cap		31,935,197.17
R0330	MCR floor		17,741,776.21
R0340	Combined MCR		31,935,197.17
R0350	Absolute floor of the MCR		2,325,105.00
R0400	Minimum Capital Requirement		31,935,197.17