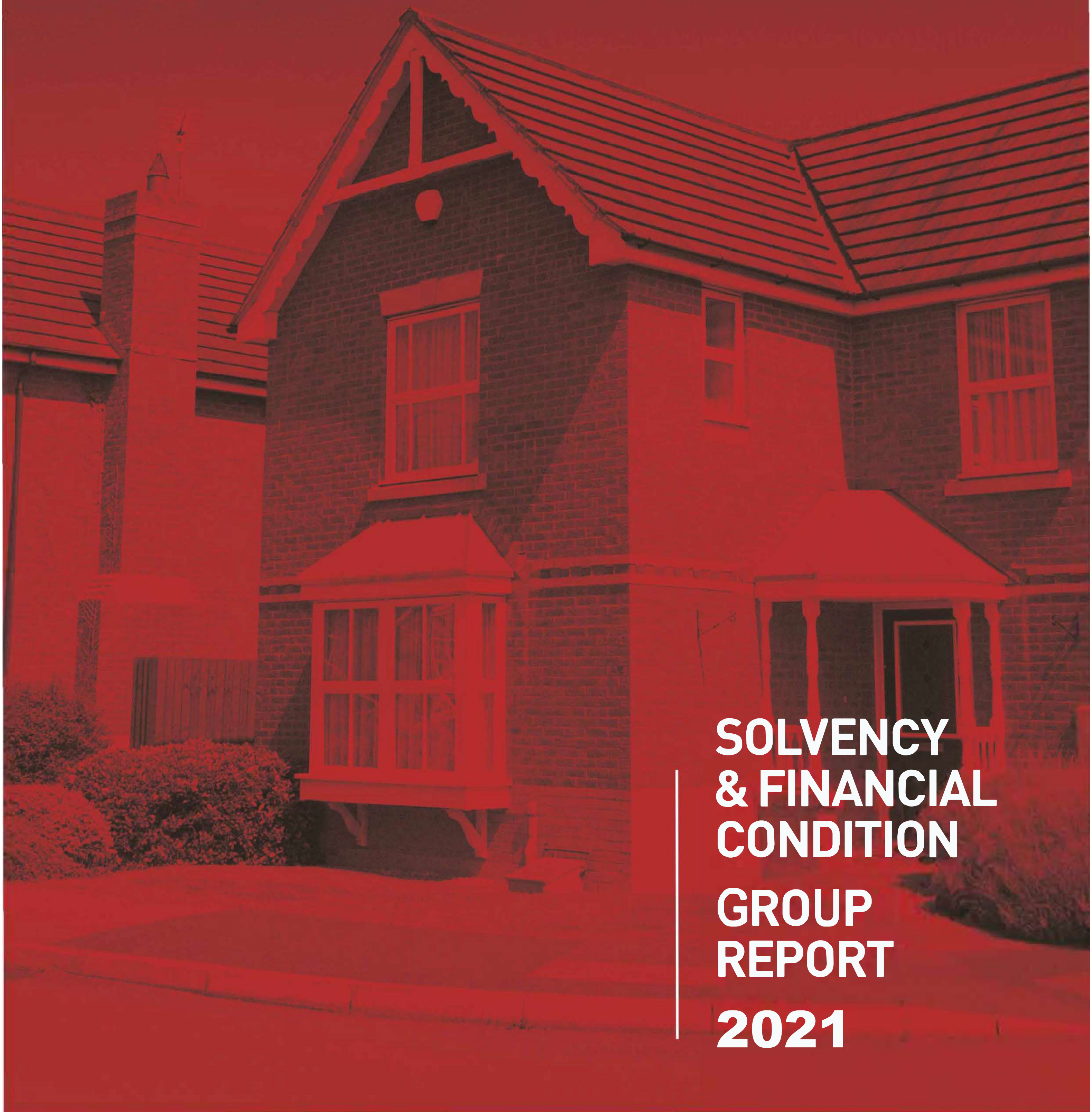
GPI

A Kinnell Group Company



SOLVENCY & FINANCIAL CONDITION GROUP REPORT 2021

Contents

Summary

Kinnell Holdings Ltd and its subsidiaries ("the Kinnell Group") comprises of six entities, each performing different but complimentary roles related primarily to the provision and administration of insurance backed guarantees. The regulatory Group for Solvency II (SII) purposes comprises of Kinnell Holdings Limited (hereafter referred as 'KHL') and Guarantee Protection Insurance Limited (hereafter referred to as 'GPI'). This Solvency and Financial Condition Report ('SFCR') has been produced to meet public disclosure requirements as outlined in Chapter XII of Commission Delegated Regulation (EU) 2015/35, in relation to the regulatory Group for SII purposes comprising of KHL and GPI (hereafter referred to as 'KH SII Group').

GPI is wholly owned by KHL and is the only active insurer within the Kinnell Group. In addition to GPI, two more Kinnell Group companies undertake regulated financial activities: Warranty Services Limited ('WSL') and Kinnell Corporate Limited ('KCL'), and both are authorised and regulated by the FCA. The Kinnell Group has applied direction[1] from the PRA by way of a waiver to exclude all other subsidiaries from Group Supervision, apart from GPI.

KHL is a holding company which is in turn owned by Accelerant Holdings UK Limited ('AHUK'), part of the Accelerant group, which is a global group, providing insurance capacity, expertise and technology solutions to its member MGAs and other insurance industry stakeholders.

Major Events during the Reporting Period

- **Acquisition**

  KHL was acquired by AHUK on 30/04/2021. Accordingly, GPI now forms part of the wider Accelerant group, as its UK domiciled insurance carrier. This acquisition meant that GPI was able to adopt the Accelerant Group Capitalisation Policy and procure an investment of £5.2m from its wider Accelerant group. The Capital Management appetite for KH SII Group and GPI is defined on a Solvency II Basis and maintains a minimum SCR of 140% and 150%, respectively. The solvency coverage ratio at the 31st December 2021 is 129% for GPI and 120% for KH SII Group, with further investment planned in Q2 2022 to increase the solvency coverage ratio's in line with the Accelerant Group Target Capital ratio of 140% and 150% respectively; securing an increased measure of protection for GPI's policyholders.

- **Material Reinsurance Changes**

  In respect of the ADC reinsurance cover in respect of GPI business written in the period 1st January 2003 to 31st December 2019, GPI secured an endorsement in respect of the reinsurance contract, permitting the contract to be commuted. Commutation subsequently took place on 30/12/2021, together with a release of margin and account balance.

- **Discontinuance of the Caravan business**

  In 2020, GPI was presented with the opportunity to enter into a new agreement with a broker and underwrite a caravan insurance book of business. In December 2020, GPI signed a contract to write caravan owners property damage insurance and began writing the business in March 2021. As GPI began its integration into the wider Accelerant group, a strategic decision was taken to discontinue underwriting the caravan portfolio and GPI submitted notice to the broker with effect as of September 2021, transitioning the portfolio into runoff.

- **KHL Board Directorship Changes**

  The following changes have been made to KHL Board composition since the prior-year Solvency & Financial Condition Report:

- Peter Dawson resigned from the Board on 30/04/2021 (shareholder resigning following change in control)
- Marjory Dawson resigned from the Board on 30/04/2021 (shareholder resigning following change in control)
- Jeremy Brettell resigned from the Board on 30/04/2021
- Frank O'Neill was appointed to the Board on 30/04/2021
- Simon Jukes was appointed to the Board on 30/04/2021
- Paul Wakefield resigned from the Board on 27/08/2021

- **GPI Board Directorship Changes**

  The following changes have been made to Board composition since the prior-year Solvency & Financial Condition Report:

  - Steven Clark was appointed to GPI's Board as a Director, following regulatory approval in respect of his role of Chief Finance Officer being obtained on 14th May 2021.

  As part of the acquisition of GPI's parent company by Accelerant Holdings UK Ltd (effective 30th April 2021), the following appointments were made:

  - John Spencer was appointed to GPI's Board as an Independent Non-Executive Director, with regulatory approval being obtained on 27th July 2021 for the functions of Governing Body Chair, and Risk Committee Chair.
  - Paul Owens was appointed to GPI's Board as an Independent Non-Executive Director, with regulatory approval being obtained on 24th Aug 2021 for the functions of Chair of Audit Committee and Chair of Remuneration Committee.
  - Frank O'Neill was appointed to GPI's Board as a Non-Executive Director, with regulatory approval being obtained on 10th September 2021 for the Group Entity Senior Manager function.

  The following individuals were removed from the register of Directors:

  - Jeremy Brettell resigned as a Director with effect from 30th April 2021.
  - Graham Singleton resigned as a Director on 30th July 2021.
  - Paul Wakefield was removed as a Director on 27th August 2021 (on the basis of the successor Chair of Audit being in-post by 24th August 2021).

- **The Risk Management Framework**

  In 2021, under direction of the Group Management Board (GMB), the Second Line Risk Function began an in-depth review of the Risk Management Framework. While GPI had adequate risk management processes in place, GPI had not designed its Framework in such a way that assurance could be given to Directors that GPI could meet the PRA's expectation of firms to design their risk management frameworks in so that individual risks can be aligned to strategic objectives. A revised Risk Management Framework, inclusive of a formal Risk Taxonomy, was approved by the GMB in June 2021. Since which, the Risk Management Framework, and aligning Frameworks underpinning business operations, have continued to evolve, giving careful consideration to the nature, scale and complexity of business operations.

  There has also been alignment to AHUK by way of adoption of the Accelerant Group Capitalisation Policy and the Accelerant Group Risk Appetite Policy.

Key Elements and drivers of the business

GPI is wholly owned by KHL and is the only insurer within the Kinnell Group.

GPI is a specialist underwriter which retains experience and expertise in the provision of long-term Insurance Backed Guarantees (IBGs) for construction and related work, with a historic niche in timber treatment, damp proofing, roofing, and double glazing. New lines of business with additional work types and term were considered and in December 2020 GPI signed a contract to write caravan owners' property damage insurance. Subsequently, GPI made the decision to exit the business in September 2021, putting the portfolio into run-off.

The KHL SII Group's risk appetite is aligned to retain focus around driving consolidation and concentration on the core business activities as described above, while seeking opportunities to diversify the book where appropriate.

The Kinnell Group continues to embed appropriate and proportionate strategic values and culture to support corporate governance and prudent risk management.

Underwriting Performance

Geographical Split of Business	**100% UK & Ireland**	**100% UK & Ireland**
	2021 (£m)	2020 restated[1] (£m)
Gross Written Premium	4.79	3.36
Technical Provisions	20.82	20.06
Movement in UPR	-0.54	0.57
Claims Paid and Incurred	3.09	2.82
Operating Expenses	1.60	1.71
Expenses as a % of Premium	33%	51%

Investment Performance 2021 (£)	**Net Investment Income**	**Net Investment Expense**	**Net Realised Gains and Losses**	**Changes in fair value**	**Revaluation of Property**	**Net Investment Result**
Managed Funds						
Government Bonds	182,371	-	-	(305,655)	-	(123,284)
Corporate Bonds	246,254	-	(192,022)	(216,267)	-	(162,035)
Loans and Receivables	7,015	-	-	-	-	7,015
Investment in Subsidiary	400,000	-	-	-	-	400,000
Cash and Cash Equivalents	532	(12,519)	-	-	-	(11,987)
Investment Property	-	-	-	-	-	-
Other Investment Income	9,075	-	-	-	-	9,075
	845,247	(12,519)	(192,022)	(521,922)	-	118,784

[1] Restated due to change in accounting policy. For detail see GPI Financial Statements 31st December 2021.

Investment Performance 2020 (£) - restated[2]	Net Investment Income	Net Investment Expense	Net Realised Gains and Losses	Changes in fair value	Revaluation of Property	Net Investment Result
Managed Funds						
Government Bonds	266,041	-	-	78,536	-	344,577
Corporate Bonds	281,284	-	(222,558)	10,372	-	69,098
Loans and Receivables	8,174	-	-	-	-	8,174
Investment in Subsidiary	1,050,000	-	-	-	-	1,050,000
Cash and Cash Equivalents	12,595	(9,284)	-	-	-	3,311
Investment Property	-	-	-	-	10,000	10,000
Other Investment Income	9,000	-	-	-	-	9,000
	1,627,094	(9,284)	(222,558)	88,908	10,000	1,494,160

Key Elements of the Governance System

KH SII Group is subject to the Senior Managers & Certification Regime (SMCR) which is a regulatory framework that came into force on 12th December 2018. The regime reflects the regulators' intention to align regulation of insurance with the banking supervision rules, with its primary purpose to strengthen accountability and governance, and ensure that Senior Insurance Managers conduct themselves with honesty, integrity, and skill.

The current governance structure is designed to ensure accountability; with each Director and senior manager being approved by the regulator for the functions they perform; and with a statement of responsibility being prepared for each, in order to ensure clarity on responsibilities.

The Board itself is designed to support independent challenge; and is Chaired by an independent non-executive. Additionally; the following Board subcommittees are also led by independent non-executives:

- The Nomination Committee*
- The Remuneration Committee*
- The Audit Committee*
- The Risk Committee

*The membership of these committees are comprised exclusively of independent non-executives.

Additionally, the executive management team meet as part of the following committees, which ultimately report to the Board committees:

- The Executive Committee
- The Asset and Liability Committee
- The Reserving Committee

More information on the committee structure can be found in section B.1.

[2] Restated due to change in accounting policy. For detail see GPI Financial Statements 31st December 2021.

Key Risks identified as Material to Business Objectives

The KH SII Group's Primary Material Risks are Solvency Risk, Liquidity Risk, Interest Rate Risk, Investment Default Risk, Credit Risk, Reinsurance Risk, Reserving Risk, Pricing Risk, and Operational Risk. These risks are aligned to one or more of the KH SII Group's five Strategic Objectives and the appropriate level of capital needed to manage these risks can be determined through use of the Standard Formula.

The KH SII Group's Secondary Material Risks are Regulatory Risk, Accountability Frameworks Risk, Strategic Execution Risk, Emerging Risk, People Risk, and Data Risk. These risks are aligned to one or more of the KH SII Group's five Strategic Objectives, however the appropriate level of capital needed to manage these risks cannot be determined through use of the Standard Formula. The KH SII Group aims to quantify capital requirements derived from all risks it faces where possible, however, the GMB accepts that this is not always possible. In these instances, the GMB uses empirical analysis to determine impact. This analysis allows the KH SII Group to build in a capital buffer when determining the appropriate solvency risk appetite and gives the Directors additional assurance that suitable consideration has been given to all risks faced in the current environment with respects to both capital needs and policyholder protection.

In addition to the above, the KH SII Group recognises risks, or believes there is potential to recognise risks in the future, in the below categories. Whilst these risks have been recognised, they are classified as "Other" due to any one of the following contributing factors:

- They currently do not meet the materiality threshold due to the limited scope of the risk in relation to the business model
- They are a consequence of the crystallisation of a Material Risk
- They are avoided by way of risk response measures.
- They are components of the external market and outside of our control

The Relationship between Risk and Capital Management

The Solvency II ('SII') regime has been effective since 1 January 2016 and establishes a new set of EU wide capital requirements, risk management and disclosure standards. The KH SII Group is required to meet a Minimum Capital Requirement ("MCR") and a Solvency Capital Requirement ("SCR"), which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time frame.

The KH SII Group calculates its SCR in accordance with the standard formula prescribed in the SII regulations.

The KH SII Group has met the key deliverable requirements of the PRA. The Own Risk and Solvency Assessment ("ORSA") was submitted in December 2021. Quantitative Reporting Templates ("QRTs") have been submitted to the PRA for all quarters in 2021. All submissions were made before the last submission dates.

Solvency Capital Requirement

KH SII Group

At the 31st of December 2021, KH SII Group had total Own Funds of £11.23m (31st December 2020: £9.31m). These are split between Tier 1 and Tier 3.

The Own Funds supported the Solvency Capital Requirement of £9.36m resulting in a ratio of eligible funds to achieve a solvency coverage ratio of 120% and a surplus of £1.87m.

GPI

At the 31st of December 2021, GPI had total Own Funds of £12.04m (31st December 2020: £10.14m). These are split between Tier 1 and Tier 3.

The Own Funds supported the Solvency Capital Requirement of £9.36m resulting in a ratio of eligible funds to achieve a solvency coverage ratio of 129% and a surplus of £2.68m. The Minimum Capital Requirement (MCR), a minimum level below which the amount of financial resources should not fall was £2.97m, resulting in a ratio of eligible funds to meet the MCR of 389%.

Tier 1 funds arise from retained profits from past underwriting and unencumbered share capital and investment surpluses. They are available to fully absorb losses on a going-concern basis, as well as in the case of winding-up, meeting all criteria of Article 94 of Directive 2009/138/EC to be classified as Tier 1 own funds. All GPI's Tier 1 funds are unrestricted.

Tier 3 funds are in relation to a deferred tax asset. This has arisen from timing differences between the accounting and the tax treatment of items in prior years which will reverse against future taxable profits.

GPI has no ancillary Own Funds. No deductions are applied to Own Funds and there are no material restrictions affecting their availability. The Tier 3 Own Funds based on deferred tax is not transferable as the asset is tied to profits made by GPI.

Information on any non-compliance with the Minimum Capital Requirement (MCR) or SCR

During the full reporting period the KH SII Group was compliant with its MCR.

As at year end, the valuation method for the investment in subsidiary (Warranty Services Ltd) has changed from a historical cost basis to the adjusted equity method. Furthermore, a deferred tax liability has also been included for the first time in the 31st December 2021 valuation.

Retrospectively applying these changes to the 2021 period results in the estimated KH SII Group solvency coverage ratio being below 100% for the reporting from 1 January 2021 to 31 December 2021; with the estimated GPI solvency coverage ratio being below 100% from 31st March 2021 to 29th December 2021. The maximum drop in the year would have been at half-year, with the estimated KH SII Group solvency coverage ratio at 80% and the estimated GPI solvency coverage ratio at 91%.

The solvency coverage ratio was restored to above 100% on both a GPI basis and a KH SII Group basis as a result of a capital injection which took effect on 29th December 2021. However, these changes also meant that the December 2021 capital injection increased KH SII Group solvency coverage ratio to 120% and GPI solvency coverage ratio to 129%, rather than to target solvency coverage ratio as was the intention. Consequently, a further injection is expected in Q2 2022, to increase the solvency coverage ratio in line with the target capital ratio of 150% for GP and 140% for the KH SII Group.

A. Business and Performance

A.1 Group Overview

Kinnell Holdings Ltd and its subsidiaries ("the Kinnell Group") comprises of six entities, each performing different but complimentary roles within the same sector. The regulatory Group for Solvency II (SII) purposes comprises of Kinnell Holdings Limited (hereafter referred to as KHL) and Guarantee Protection Insurance Limited (hereafter referred to as GPI). This report has been produced in relation to the regulatory Group for SII purposes and comprises of KHL and GPI (hereafter referred to as KH SII Group).

GPI is a UK based solo insurance entity, regulated and authorised by the PRA via its small insurer Category 5 team and regulated by the FCA. Information can be obtained from the Financial Services Register under firm reference number 207658. The company is registered in England under Company Number 03326800 with a registered address of 1 Fleet Place, London, England, EC4M 7WS.

Kinnell Holdings Ltd is a wholly owned subsidiary of Accelerant Holdings UK Ltd. Whilst each of the Kinnell Group subsidiaries have specific legal and regulatory obligations covering financial/capital resources, governance, accountability, risk assessment management, supervision, reporting, and public disclosure requirements; each shall pursue strategy in accordance with this strategic plan.

The Kinnell Group Structure is shown below:

Kinnell Group Entity Name	Company Name and Registered Office	Regulatory Status	SM&CR Status	Commercial Operations
Kinnell Holding Ltd ("KHL")	SC295513 1 George Square Glasgow Scotland G2 1AL	Not directly regulated. However, KHL is considered to be a "Qualifying Parent Undertaking" for the purposes of FSMA 2000.	N/A	KHL is a non-trading Holding Company and does not sell any product/services to customers.

Kinnell Group Entity Name	Company Name and Registered Office	Regulatory Status	SM&CR Status	Commercial Operations
Guarantee Protection Insurance Ltd ("GPI")	3326800 One Fleet Place London England EC4M 7WS	Authorised by the PRA and regulated by both the FCA and the PRA. GPI has permissions to write insurance contracts I the classes of miscellaneous financial loss (class 16); fire and natural forces (class 8); and damage to property (class 9).	Enhanced (Solvency II)	GPI is a Solvency II insurer which retains experience and expertise in the underwriting and Insurance Based Guarantees (IBGs) for numerous home improvement and remedial trade types.
Warranty Services Ltd ("WSL")	SC205797 1 George Square Glasgow Scotland G2 1AL	Authorised and regulated by the FCA. WSL has advising, selling and arranging permissions.	Core	WSL is an insurance distribution firm specialising in IBGs for fenestration and other repair, maintenance and improvement sectors. Being wholly owned by GPI, it presently places insurance business solely with GPI and accounts for >60% of GPI's premium income. WSL also retains significant expertise in handling IBG claims and acts as GPI's claims agent in this capacity.
Mission Underwriting UK Limited ("MUU") (Formerly known as Kinnell Corporate Ltd)	5314336 One Fleet Place London England EC4M 7WS	Authorised and regulated by the FCA. MUU has advising, selling and arranging permissions as well as client money permissions.	Core	MUU is a legacy insurance broker, which sold its renewal book on 1 September 2021.
The Remedial Company Ltd ("RCL")	6798060 One Fleet Place London England EC4M 7WS	Not regulated; through it is a member of Certass.	N/A	RCL is an inspection and repair firm with expertise in fenestration remedial works. RCL employees a number of engineers to ensure coverage across the majority of England.
Confederation Holding Ltd ("CHL")	581946 One Fleet Place London England EC4M 7WS	Not regulated; through CHL is an Introducer Appointed Representative of both WSL and KCL.	N/A	CHL is a provider of affinity membership benefits to trades people operating the UK.

GPI is a dual regulated insurer with licenses to effect contracts of insurance in the following material lines of business;

- Fire and Natural Forces (8)
- Damage to Property (9)
- Miscellaneous Financial Loss (16)

The majority of the 2021 premium was written within the UK under class 16 Miscellaneous Financial Loss.

GPI conducts its insurance activities within the UK with only a small, limited amount of business currently in run off in the EEA.

GPI currently has the below waivers in place:

Reference	Detail
00002308	A waiver amending group supervision 2.2; 2.2; and 2.3 to exclude the following firms from group supervision: - Warranty Services Ltd - Kinnell Corporate Ltd - Confederation Holdings Ltd - Remedial Company Ltd
00001969	A waiver providing that a single, Group SFCR be provided
00001968	A waiver amending group supervision 17.2 in order that the assessments required by Conditions Governing Business 3.8 to 3.11 at the level of the group -and at the level of any subsidiary undertaking in the group at the same time- must produce a single document covering all the assessments.
00004289	A waiver streamlining the quarterly reporting format.

The external independent auditor for the annual report for the year ending 31st December 2021 was:

PricewaterhouseCoopers LLP
Atrial One
144 Morrison Street
Edinburgh
EH3 8EX

GPI is authorised by the Prudential Regulation Authority (PRA) and is regulated by the Financial Conduct Authority (FCA) and the PRA.

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

A.2 Business Summary

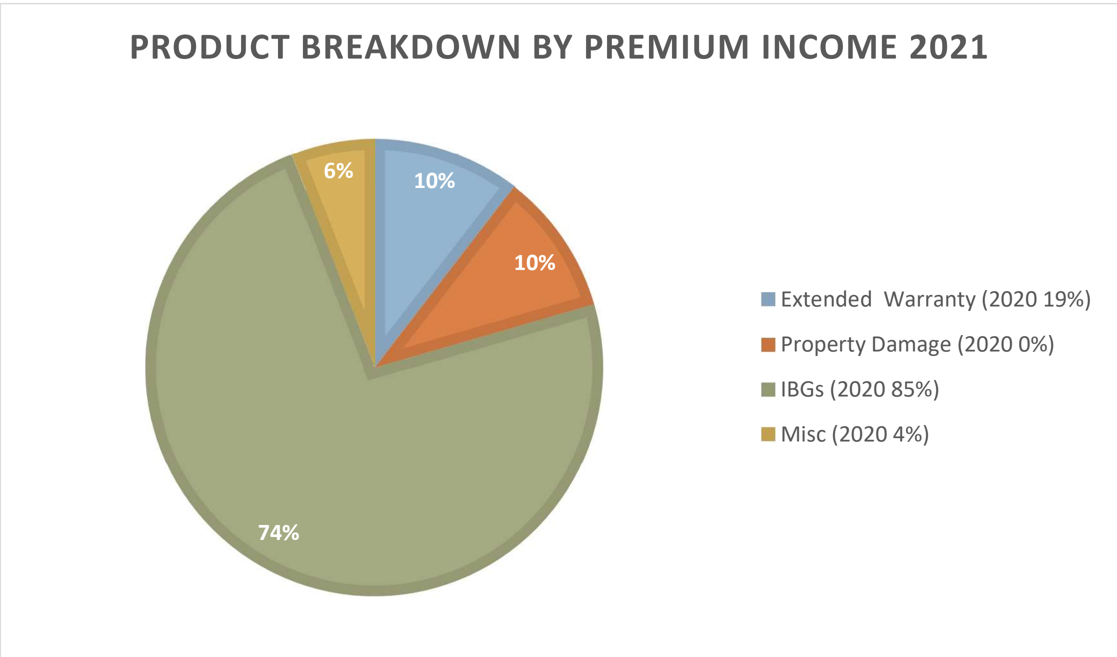
As a specialist underwriter GPI retains experience and expertise in the provision of long-term Insurance Backed Guarantees (IBGs) for construction and related work, with a historic niche in timber treatment, damp proofing, roofing, and double glazing. During 2021 GPI continued to focus principally on these core markets and products. GPI wholly owns Warranty Services Ltd (WSL) which is an insurance intermediary with significant operational capability and experience in the administration and distribution of IBGs to home improvement contractors, such as those who are members of Competent Person Schemes. GPI, via WSL, has also been involved in the provision of IBG based products to contractors in respect of the Energy Company Obligation (ECO), Trustmark and also to firms who have joined the Renewable Energy Consumer Code (RECC) scheme, all of which have been sponsored by Government. The extent of involvement in these areas has varied in line with changes to Government policy and incentives available to the industry.

Overall, business introduced to GPI by WSL contributed approximately 57% of the premium income written by GPI in 2021. GPI also provides an underwriting solution for a small number of insurance intermediaries and an appointed representative in respect of niche insurance products in the miscellaneous financial loss class of business.

GPI had Loss Portfolio Transfer (LPT) and Adverse Development Cover (ADC) reinsurance contract with Sirius Point which was commuted on the 30th December 2021. As a result, the reinsurance prepayment of £835,407 was fully written down and a margin refund receivable recognised at the 31st December 2021.

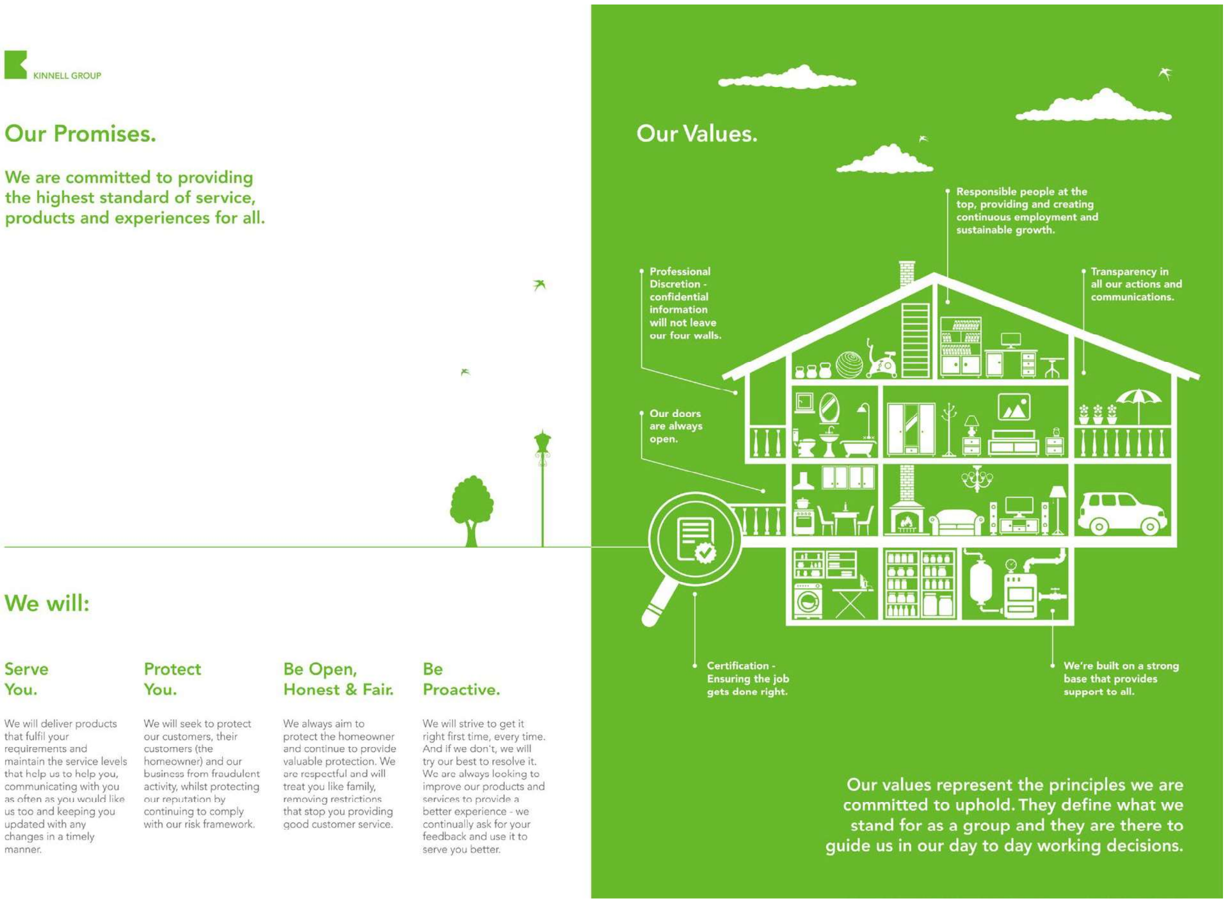
In 2020, GPI entered into a new reinsurance contract for Catastrophe risk cover for the new caravan insurance book of business which resulted in an outward reinsurance premium of £118,775. This premium was paid in instalments with the final payment of £59,378 paid in May 2021. GPI made the decision to exit the business in September 2021, putting the portfolio into run-off. No Catastrophe risk cover is in place for the run-off cover as, due to the size of the book, the cost exceeded the benefit.

The mix of products underwritten by GPI for the 2021 financial year is demonstrated in the chart below:



The KH SII Group's risk appetite is aligned to provide focus around driving consolidation and concentration on the core business activities as described above.

<u>Our promises and values</u>



A.3 Underwriting Performance

Gross Written Premium (GWP)

During the course of the year, GPI's written premium income was £4.8m which is considerably higher than the prior year of £3.4m mainly due to strong performance in the core products and the new caravan owners' property damage insurance which was written in 2021. The strategic policy of GPI remained largely unchanged in 2021 following the acquisition, with continued focus on reducing non-core legacy claims costs, and to focus growth on the core products of Insurance Backed Guarantees for construction and related work, with a historic niche in timber treatment, damp proofing, roofing and double glazing within GMB approved risk tolerances. The majority of premium was written within the UK under class 16 Miscellaneous Financial Loss.

Unearned Premium Reserve (UPR)

Under UK GAAP, GPI earns premium on a straight-line basis over the term of the insurance policy, and this remains the GMB approved policy until any claims or actuarial information would suggest this should be altered based on the incident of risk. The balance is held as an Unearned Premium Reserve on the balance sheet and unwound over the term of the policy.

Operating Expenses and Claims Paid and Incurred

Expenses have been closely managed during the year and are lower than the prior year. Whilst there has been a deterioration in legacy closed schemes claims, our core business claims have performed in line with management expectations.

Underwriting Performance

Geographical Split of Business	**100% UK & Ireland**	**100% UK & Ireland**
	2021 (£m)	*2020 restated[3] (£m)*
Gross Written Premium	4.79	3.36
Technical Provisions	20.82	20.06
Movement in UPR	-0.54	0.57
Claims Paid and Incurred	3.09	2.82
Operating Expenses	1.60	1.71
Expenses as a % of Premium	33%	51%

Reinsurance

GPI currently underwrites 100% of the risks that it takes on and sets its appetite accordingly. From time to time though there may be reasons to seek reinsurance on individual business opportunities or lines of business in order to protect the potential impact on the capital, and the GMB has a set Risk Appetite for considering such options.

The Loss Portfolio Transfer (LPT) and Adverse Development Cover (ADC) reinsurance contract with Sirius Point was commuted on the 30th December 2021. As a result, the reinsurance prepayment of £835,407 was fully written down and a margin refund receivable recognised at the 31st December 2021.

In 2020, GPI entered into a new Caravan Property Catastrophe Excess of Loss reinsurance contract which resulted in an outward reinsurance premium of £118,775. This premium was paid in instalments with the final payment of £59,378 paid in May 2021. The outward reinsurance policy and subsequent deferral of cost adjustment has resulted in a charge to the Technical Profit and Loss Account of £109,640 in 2021.

GPI made the decision to exit the business in September 2021, putting the portfolio into run-off. No Catastrophe risk cover is in place for the run-off cover as, due to the size of the book, the cost exceeded the benefit.

A.4 Investment Performance

GPI's Board-approved investment strategy is to follow a conservative approach to protect capital, aiming for low volatility, and returns in excess of agreed benchmarks, taking into account both the cost of capital under SII and the actual capital risk in order to achieve a balanced efficient return. GPI utilises the services of appropriate external investment managers to manage its investments, who are LGT Vestra.

[3] Restated due to change in accounting policy. For detail see GPI Financial Statements 31st December 2021.

In 2021, the investment portfolio remained fixed income predominantly. There was no change to the objectives, policies and processes for managing market risk. Bonds have a lower associated capital charge which reduces the Market risk component of the capital requirement. More information can be found in section E2.

GPI had no investments or equities in securitisations during the period. The table below summarises the investment performance during 2021 and 2020.

Investment Performance 2021 (£)	**Net Investment Income**	**Net Investment Expense**	**Net Realised Gains and Losses**	**Changes in fair value**	**Revaluation of Property**	**Net Investment Result**
Managed Funds						
Government Bonds	182,371	-	-	(305,655)	-	(123,284)
Corporate Bonds	246,254	-	(192,022)	(216,267)	-	(162,035)
Loans and Receivables	7,015	-	-	-	-	7,015
Investment in Subsidiary	400,000	-	-	-	-	400,000
Cash and Cash Equivalents	532	(12,519)	-	-	-	(11,987)
Investment Property	-	-	-	-	-	-
Other Investment Income	9,075	-	-	-	-	9,075
	845,247	**(12,519)**	**(192,022)**	**(521,922)**	**-**	**118,784**

Investment Performance 2020 (£) - restated[4]	**Net Investment Income**	**Net Investment Expense**	**Net Realised Gains and Losses**	**Changes in fair value**	**Revaluation of Property**	**Net Investment Result**
Managed Funds						
Government Bonds	266,041	-	-	78,536	-	344,577
Corporate Bonds	281,284	-	(222,558)	10,372	-	69,098
Loans and Receivables	8,174	-	-	-	-	8,174
Investment in Subsidiary	1,050,000	-	-	-	-	1,050,000
Cash and Cash Equivalents	12,595	(9,284)	-	-	-	3,311
Investment Property	-	-	-	-	10,000	10,000
Other Investment Income	9,000	-	-	-	-	9,000
	1,627,094	**(9,284)**	**(222,558)**	**88,908**	**10,000**	**1,494,160**

A.5 Any other information

No further information to be reported.

[4] Restated due to change in accounting policy. For detail see GPI Financial Statements 31st December 2021.

B. System of Governance

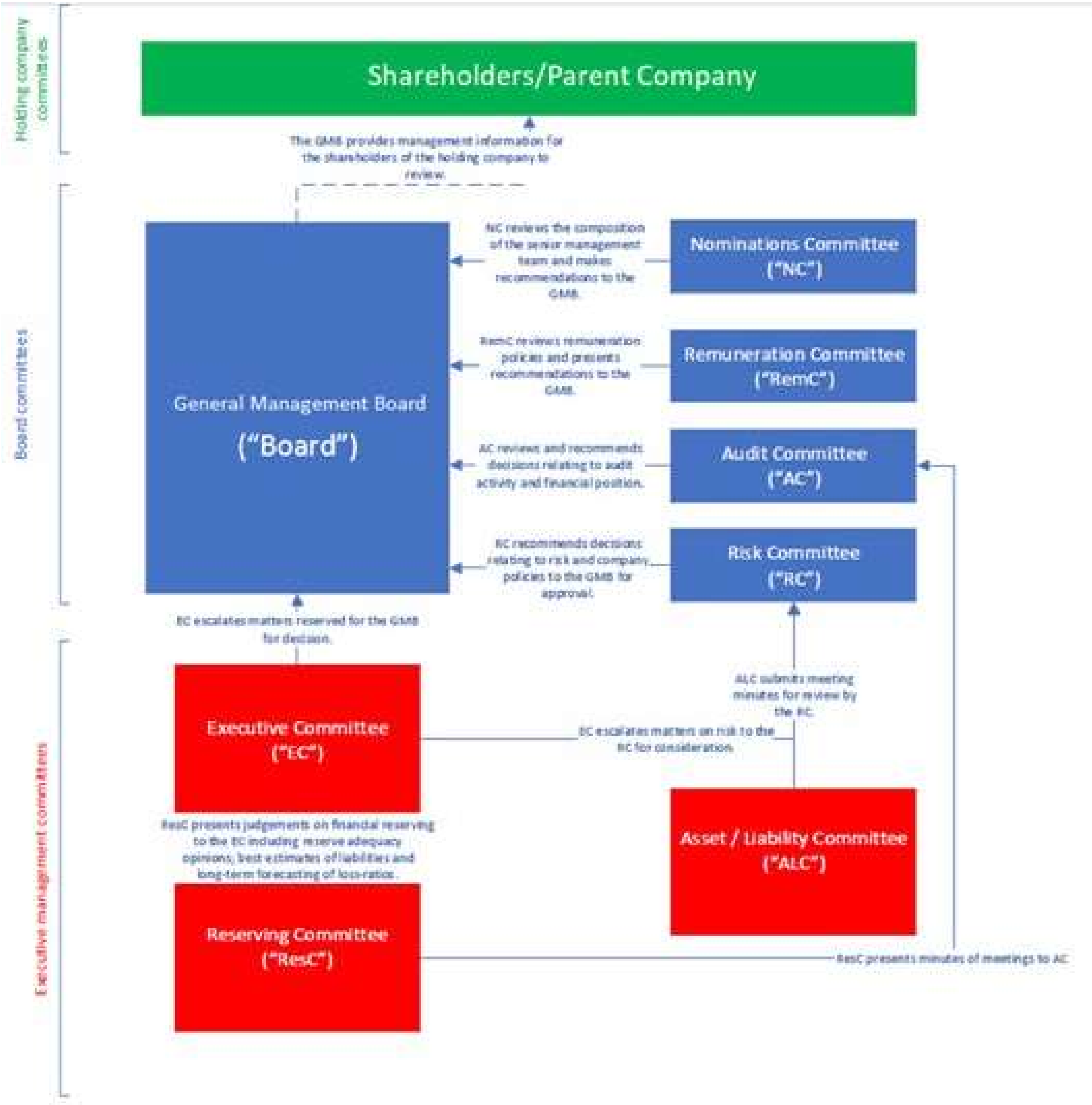
As at the balance sheet date, GPI had revised its Board-approved corporate governance framework in order to enhance autonomy and in particular to more closely align to the expectations in the PRA supervisory statement SS5/16. Previously, GPI's governing body was a governance forum for the firms of the entire Kinnell Group; however, the adopted corporate governance framework as at the balance sheet date revises this, by establishing a corporate governance framework to serve GPI as an independent entity. The KHL Board continues to exercise appropriate governance over the carrier through regular formalised Board meetings.

Whilst the scope of the forum has changed, the new governance framework is still designed to deliver an appropriate culture; to promote prudent management; ensure accountability and transparency; and promote good conduct and corporate values throughout the business.

B.1 General information on the system of governance

The corporate governance framework has been structured in such a way as to ensure ongoing compliance with regulatory requirements, specifically to: establish, implement, and maintain decision-making procedures and an organisational structure which clearly and in a documented manner specifies reporting lines and allocates functions and responsibilities (as outlined in FCA Handbook, SYSC 4, and PRA Rulebook for Solvency II firms - Conditions Governing Business).

The Board is supported by a number of sub-committees as follows:



The Nomination and Remuneration Committees are responsible for:

- Undertaking activity in respect of nomination and remuneration by way of a jointly held Nomination and Remuneration Committee;
- Nominating and appointing Executive and Non-Executive Directors with a balance of skills, knowledge, experience, and diversity, and;
- Overseeing the implementation of remuneration policies and practices that ensure sound and prudent management of the business, prevents excessive risk-taking, and promotes the long-term success of the business.

The Risk Committee is responsible for:

- Oversight of all risk and control activity;
- Setting the Board level risk appetites and risk strategy;

The Audit Committee is responsible for:

- Oversight of the effectiveness of systems and internal controls;
- Oversight of internal and external audit activities;
- Monitoring of any outstanding remediation actions and ensuring their completion;
- Review and challenge of GPI's financial statements.

In addition to the board committees, there are several executive committees within the corporate governance structure:

- The Executive Committee: the Board delegates the operational management, implementation of risk management framework, and operational oversight of the business to the Executive Committee.
- The Asset and Liability Committee: is responsible for monitoring and reviewing the assets of the business to ensure that assets are invested consistently with the time horizon of the future liabilities of the business, and to ensure that the Board is furnished with appropriate recommendations in respect of these matters. Actuarial input and oversight is provided by way of membership of the Chief Actuary (SMF 20).
- The Reserving Committee: The Reserving Committee is a subcommittee of the Audit Committee. The committee considers matters in relation to key reserving judgements and assumptions; oversees quarterly calculations of Best Estimate of Liabilities; considers long-term claims forecasts; trends in loss ratios over time; prior period development and its drivers; and oversees sensitivity analysis performed to assess the variability of reserves under changes to the various model assumptions. The Reserving Committee considers both Best Estimate and UK GAAP reserves. This committee is not a decision-making authority and formally reports into the Audit Committee.

Policy Management

Policy management and governance is an essential part of KH SII Group's corporate governance framework and is intrinsically linked to effective risk management as it:

- provides a standardised approach to policy design and development;
- establishes and communicates minimum operating standards across the business;
- provides structure to the approach to risk management;
- provides clarity for all staff regarding roles and responsibilities, reporting lines, and risk and control activities, and;
- ensures that all staff are compliant with regulatory and legal requirements.

One of the underlying risk frameworks established is the Policy Management Framework and Hierarchy. This is essentially a standardised approach to documentation objectives, construction and tiering. The Hierarchy is a register of all policies, standards, or procedures and ensures that all documentation is drafted in a standardised format; has an assigned policy owner, and; is subject to frequent formal review. In line with the overall approach to governance, policies, standards, and procedures are implemented across the Kinnell Group unless specifically stated within the version control page.

B.2 Fit and proper requirements

The regulated firm within the KH SII Group has a fit and proper review process with all new applicants to the group subject to complete vetting in accordance with the recruitment and vetting policy. On a yearly basis, all existing employees are required to complete a declaration confirming that their personal circumstances have not changed in a material way which would affect their fitness and propriety. The Head of HR sample checks no less than 10% of these declarations on an annual basis to validate these declarations. Such sample checking includes the procurement of a criminal record disclosure and a credit check. Where an employee - being subject to a sample check - has already been subject to a 'Standard' level criminal background check, 'Basic' level criminal background check shall be sufficient for all further checks.

On an annual basis, the Compliance function carries out second line oversight and assurance spot checks on 10% of employees subject to the additional annual checks (as detailed above) and perform spot checks on an additional 10% of the employee fitness and propriety annual declarations.

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

The KH SII Group's Risk Management Framework (RMF) refers to a collection of policies, standards, procedures (either individually or as they sit within an aligning Framework) which help us to effectively, and equally as important, holistically, manage the risk we face in pursuit of our strategic objectives. The RMF sets out high level ideologies, detailed methodologies, and operational guidance to help employees better understand and effectively manage the risk that they face in their roles. The driving force behind an effective RMF is the Directors' commitment to embedding a rich risk culture within the KH SII Group with a strong emphasis on the 'No Blame' factor, empowering open and honest discussions around risk, responsibilities and obstacles that hinder progress. A strong risk culture is integral to the effective management of risk. The construct of the legislative and regulatory framework does not prescribe how risk should be managed, however we have taken the view that the pivotal point of a strong culture is our conduct risk framework and the fiduciary duties of the chairman, as the head of the governing body. This then leads into strategic planning, governance arrangements, systems and controls, management responsibilities, and overall culture. The expectation of the regulators is that each firm have processes in place, proportionate to their business operations and exposures, to responsibly identify, assess, manage, monitor and report on risk(s) that they are exposed to, or potentially exposed to.

The Framework centres around risk culture and aims to adopt best practice strategic risk management as aligned to strategic objectives and planning of the KH SII Group, keeping sight of interdependencies between risk management and corporate governance, and aligned appropriately to the nature, scale, and complexity of the established business model. It is designed to provide a top-down approach, concentrating on a threshold of Material Risks that may positively or negatively impact performance. The approach is also culture centric and places onus on the fiduciary duties of directors to provide the appropriate leadership with respect to risk oversight, dialogue, and continuous evolution of risk awareness.

The Risk Appetite Framework identifies three key pillar high level risk appetite - Business Model Sustainability, Capital & Solvency, and Business Resilience and comprised of the following elements:

- Strategic Objectives – The long-term objectives agreed by the GMB that shape and define the course of business.
- Preferred Risk Position – outlines the GMB's most comfortable position for different risk types.
- Risk Tolerances - high level GMB approved qualitative tolerances.
- Risk Appetite Statement - statements of the degree of risk the KH SII Group is willing to pursue in its business affairs.
- Risk Responses – Identified plans of action should an appetite or tolerance be breached.
- Time horizons – the five-year horizon to which risk strategy is calculated and the period used to determine if the return on risk is deemed acceptable. The time horizons are linked to the ORSA Process and the Strategic Planning Framework. The return on risk can reflect an area of opportunity, avoidance, transfer, or acceptance, considering the return is in line with Risk Tolerances.

Our Risk Management Framework is designed to ensure the effective identification, measuring, monitoring, and reporting of any risks to the achievement of the KH SII Group's business objectives. The identified level of risk the KH SII Group is willing to accept is used in conjunction with the remaining information extracted from the assessments to set Risk Appetite objectives, tolerances, statements, KRI's, and risk response plans. There are various component parts of the Framework, each of which is one of the critical concepts of effective governance and contributes towards effective achievement of the risk management strategy, as outlined below:

- The Risk Management Framework Policy
- The Risk Appetite Framework & Statements
- The Prudential Risk Framework
- The Operational Risk Framework
- The Strategic Planning Framework

The following Frameworks align with the Risk Management Framework and support the effective management of risk:

- The Compliance Charter
- The Conduct Risk Framework
- The Monitoring & Testing Framework
- The Policy Management Framework
- The Strategic Planning Framework
- The Internal Control Framework
- The Learning & Development Framework

Governing Body Visibility

To ensure that the Risk Management Framework is effective and well-integrated into the organisational structure and informed decision-making processes, risk management is either the focus of, or a standing agenda point of the GMB, the Risk Committee, and the Executive Committee. There is an established Board-level Audit Committee that is responsible for oversight of the effectiveness of systems of internal controls; all internal and external audit activities; monitoring of any significant pending legal actions; and review and challenge of the GPI's financial statements.

The Risk and Compliance function(s) also attend this committee to provide assurance and challenge to the operational effectiveness and performance of the first (business units) and third (internal and external auditors) lines of defence.

The ORSA Process

As part of a Risk Framework Enhancement Initiative which was embarked upon in early 2021, revisions were made to the ORSA process. The process changes mainly applied to the assessment of non-modeled risks and the operational risk environment, with the singular exception in relation to the alignment of scenario analysis to both strategic objectives and Primary Material Risks. All changes made to the review and assessment process are in line with updates to the frameworks which underpin management of business operations, and as outlined in the policy documentation. Additionally, first line assessments of all risks were completed in an environmental context, with appropriate challenge provided at the second line. Revisions to the ORSA Process and final assessments of the risk environment have been approved through the Governing Structure.

The methods used to project the capital impacts to the business plan and the SCR are in line with those required to produce the SCR for UK Solvency II reporting purposes with no material differences.

The Stress Tests and Scenarios have been designed to test the resilience of the financial results and solvency position to risks outside agreed Risk Tolerance, given the KH SII Group's Risk Profile and business strategy.

The data used in the projections is of an appropriate quality and meets the requirements set out in the ORSA Standards.

The nature of capital held over time has been modelled by working through the hierarchy of capital layers as capital is called upon, according to the model. This approach has considered difficulties arising when capital is needed in adverse situations.

The recognition and valuation bases used are identical to those used for UK Solvency II. This approach results in an appropriate consideration of the specific Risk Profile, Risk Tolerances and business strategy of GPI, as well as sound and prudent management.

B.4 Internal control system

The Kinnell Group has in existence an Internal Control Framework (ICF) which acts as a record of all controls in operation across the business. The framework is made up of a number of diverse mechanisms for mitigating and managing risks which may impact the business achieving its objectives. These mechanisms are segregated into three distinct functions:

- Control objectives - Control Objectives help to establish the scope necessary to address a threat.
- Controls - the technical, administrative, or physical safeguards that exist to prevent, detect, or lessen the ability of a threat to exploit a vulnerability.
- Control activities - A formal method of doing something based on a series of actions conducted in a certain order or manner to meet an identified objective.

Governance of this Framework is demonstrated through monitoring, frequent reassessment and validation of each identified mitigation mechanism as a business-as-usual activity undertaken by the First Line on a regular basis, and through Compliance Monitoring and the annual Risk & Control Self-Assessment process carried out at the Second Line.

B.5 Internal audit function

The regulated firm within the KH SII Group is committed to ensuring that internal audit provides assurance to the GMB that major business risks are being managed, and that the framework for risk management and internal control is operating effectively. Reflecting the scale of the business, the GMB considers that this can most effectively be achieved by outsourcing the IA function to an appropriately skilled and resourced partner selected via a tender process set by the Audit Committee. The function constitutes the 'third line' of defence by providing independent review, challenge, assurance, and validation of the effectiveness of the internal controls. The Internal Audit function is not responsible for establishing or maintaining internal controls, as this is the responsibility of the 'first line', however the effectiveness of the internal systems of control can be enhanced by the recommendations from Internal Audit reviews, which are set by way of thematic reviews conducted to a planned schedule and reported to the Audit Committees spread throughout the year. The plan is subject to amendment driven by any material change effecting the business.

B.6 Actuarial function

Reflecting the current scale of the business, the GMB decided that the KH SII Group is best served by utilising the services of both an external actuarial firm as well as developing an in-house actuarial capability. This aids decision making and quality of management information as the skill set is increasingly embedded into the business. The Chief Actuary role is still fulfilled by a City Actuaries LLP (formerly OAC) senior actuary, as an external supplier. Specific City Actuaries LLP staff are allocated to GPI, reflected within our Senior Managers & Certification Regime structure and the SMF 20.

B.7 Outsourcing

As part of GPI's business, certain functions are outsourced to third parties. KH SII Group does not contract out any of its regulatory obligations and remains responsible for complying with these obligations. The GMB is responsible for determining which business functions are to be outsourced; for setting the risk appetite in respect of outsourcing; and for delegating to suitable owners and relationship managers the management and control of those outsourced functions.

The GMB is responsible for satisfying itself that the provisions of the outsourcing policy have been met in respect of each outsourced function. Prior to contemplating the shortlisting or engagement of prospective providers, the GMB shall instruct a needs assessment.

B.8 Any other information

No further information to be reported.

C. Risk Profile

The Consolidated Risk Profile

The Consolidated Risk Profile is the quantitative analysis plus a lateral empirical qualitative analysis of the threats faced by the KH SII Group. The benefit of using a Consolidated Risk Profile and a standard Risk Profile, which is the quantitative analysis only, is that it allows recognition of the fact that not all risks in our environment can be modelled, and there will always be dependencies between the prudential and operational environments. This approach ensures the conclusions presented to the GMB are not one-dimensional.

The KH SII Group's Consolidated Risk Profile take into consideration:

- The quantitative Risk Profile
- The Strategic Planning Framework and identified strategic objectives for the planning period.
- the Corporate Governance Framework.
- the Risk Management and Risk Appetite Frameworks.
- Material Risks and the effectiveness of their applied responses.
- Company culture; and
- market conditions and the overall external environment.

The quantitative Risk Profile is reflected in the table below:

KH SII Group

SCR – By Risk Category	31 December 2021 (£)	31 December 2020 (£)
Non-Life Underwriting risk	8,430,351	6,112,584
Market risk	1,128,875	1,858,854
Counterparty default risk	359,609	379,675
Diversification benefit	(948,467)	(1,328,437)
Basic Solvency Capital Requirement	8,970,368	7,022,686
Operational risk	392,773	353,735
Solvency Capital Requirement	**9,363,141**	**7,376,421**

GPI

SCR – By Risk Category	31 December 2021 (£m)	31 December 2020 (£m)
Non-Life Underwriting risk	8,430,351	6,112,584
Market risk	1,128,860	1,858,854
Counterparty default risk	354,627	371,122
Diversification benefit	(946,172)	(1,324,626)
Basic Solvency Capital Requirement	8,967,666	7,017,934
Operational risk	392,773	353,735
Solvency Capital Requirement	**9,360,439**	**7,371,669**

Appetite and Sensitivity

The Risk appetite set by the GMB defines how much risk the KH SII Group is willing and comfortable to take in the pursuit of its strategic objectives. The Risk Appetite Statements have been approved by the GMB and include several significant risks faced in its normal course of business. The Risk Appetite Statements are documented in the ORSA and in the wider Risk Management Framework and are reviewed by the GMB to seek to ensure that their defined appetite for risk is appropriately reflected and can therefore be relied upon to direct business operations.

The stress testing performed provides increased understanding of the potential significant changes to the KH SII Group's risk profile when key underlying components are shocked. This is in addition to the SCR capture of a 1 in 200-year event over a 1-year horizon at a 99.5% limit. While this is heavily assumptive, the outputs assist the KH SII Group in developing appropriate management actions aimed at effectively managing the potential impacts. More importantly though, the stress testing outputs are used to confirm the appropriateness of the KH SII Group's capital resources.

Changes in the discount rates are assumed to be level across the yield curve and to persist for the duration of the projection. Corresponding changes to asset values are not modelled but are estimated to reduce the cover ratio by 3-4% when interest rates are assumed to rise by 0.5%pa and vice-versa on a 0.5%pa reduction.

A range of plausible and feasible stress tests have been considered and derived from the business strategy and key risks identified from the KH SII Group's risk management framework and ORSA process. Stress and scenario testing have been modelled, and additional scenarios and reverse stress testing undertaken.

The tests are chosen by assessing the risks that could have the most material financial impact to GPI. They are selected using the 5x5 matrix of measurement of risk, based on likelihood and impact as detailed in the firms Risk Management Strategy and Risk Management Framework. This allows quantification of highest inherent risk scores prior to the implementation of controls or mitigating actions, which form the basis of the tests.

C.1 Solvency Risk

Solvency Risk is defined as the risk that the business cannot meet its financial obligations as they come due for full value even after disposal of its assets. The Capital Management appetite for KH SII Group and GPI is defined on a Solvency II Basis and maintains a minimum solvency capital ratio of 140% and 150%, respectively. The KHL SII Group is exposed to a number of factors that affect its capital adequacy. The collection of all of these factors has the ability to detrimentally effect profit and subsequently reduce the amount of own funds available for capital resources.

At year-end 2021, KH SII Group held a 120% solvency coverage (2020: 126%), which is deemed a satisfactory level to meet strategic business needs and prior to the end of Q2 2022 further investment is expected to restore the solvency coverage ratio to the Group Target Capital Ratio in line with the Accelerant Group Capitalisation Policy. Any fluctuations to these ratios are monitored monthly by the Executive Committee, and bi-monthly by the GMB via Key Risk Indicators.

C.2 Insurance Risk

GPI defines Insurance Risk as the risk of loss due to prices received in insurance premiums that are inadequate to cover the resulting claims payments. Insurance Risk also covers Pricing Risk and Reserving Risk.

The current appetite statements set by the GMB in the pursuit of identified strategic objectives are as follows:

- There is no appetite for undertaking activities that are not aligned with the Board approved core strategy, and/or undertaking activities for which the KH SII Group does not currently hold the necessary skills and capabilities;
- The KH SII Group's insurance undertaking will only underwrite products within its core area of expertise, being low value insurance backed guarantees;
- Board approval must be sought for any new risks with a Contract Value in excess of £250,000;
- The KH SII Group's insurance undertaking seeks to limit its term exposure to 10 years for new business and to limit its exposure for (new) non-ECO or Government led business for up to 10 years only. Board approval must be sought for any new risks outside of this tolerance;
- The KH SII Group's insurance undertaking will not write any (new) business outside the UK/Ireland without Board approval; and
- Any new reinsurance will require Board approval and any reinsurance placed must be with a minimum 'A-' rated insurer (rating assessed using rating agencies S&P and AM Best; the higher of which will be applied).

In order to maintain appropriately within risk appetite, GPI ensures that a proportionate, robust underwriting function exist to demonstrate to the GMB that major business risks associated with ongoing and new insurance risks that are being subjected to the risk management and mitigation tools used to monitor loss or adverse changes in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions, and monitored and maintained through adequate risk management, and internal control frameworks.

C.2.1 Pricing Risk

Pricing Risk is defined as the risk that premiums set cannot adequately cover the cost of probable claims. GPI pricing risk exposure is deemed material due to the high ratio of investment funds in relation to annual premium, mostly driven by the long tail nature of the GPI portfolio. GPI manages the risk by ensuring it maintains a time-matched concentrated portfolio and utilises the resources of high calibre investment managers. The investment managers are provided with the appropriate mandate detailing GPI's risk appetite and corresponding risk thresholds. The investment mandate is set to capital protection on a low-risk strategy.

For the small amount of property owned an external annual valuation, carried out by a RICS surveyor, is obtained, with management assessing the valuation for property in the intervening periods.

The KH SII Group and GPI's sensitivity to a 10%/5% increase and decrease on market prices is as follows:

	Increase/(decrease) in own funds (capital)	Increase/(decrease) in own funds (capital)
	2021 (£'000)	***2020 (£'000) - restated[5]***
5% increase in movement in fair value of debt securities	607	694
5% decrease in movement in fair value of debt securities	(607)	(694)
10% increase in movement in fair value of debt securities	1,215	1,387
10% decrease in movement in fair value of debt securities	(1,215)	(1,387)

A 5% / 10% decrease to market prices creates a reverse effect of the above to the own funds. The KH SII Group's method for sensitivity to pricing risk management has not changed significantly over the financial year.

C.2.2 Reserve Risk

Reserve Risk is defined as the risk that the current reserves are insufficient to cover their run-off. GPI carries out a number of stress tests on its reserves, the stress tests carried out provide understanding and output of significant analytical changes due to changes in the key deliverables. As this is heavily assumption based dependent on historical data, or estimations of stressed parameters, further scenario testing is carried out. These strategic scenarios allow a greater level of understanding of the risks surrounding potential alternative futures and how the company will manage these risks.

Some high-level sensitivity tests are set out below to demonstrate the impact on the KH SII Group and GPI's Technical Profit and Loss account and Profit reserves in the event of a 10% increase on Net operating expenses and claims costs.

	Increase/(decrease) in own funds (capital)	Increase/(decrease) in own funds (capital)
	2021 (£'000)	***2020 (£'000)***
10% increase in incurred claims costs	(305)	(282)
10% increase in net operating expenses	(150)	(171)

A 10% decrease in both these cost lines creates a reverse effect of the above and increases the own funds capital.

The non-life underwriting risk allocation within the standard formula capital requirement pre-diversification is £8.43m for the KH SII Group and GPI.

[5] Restated due to change in accounting policy. For detail see GPI Financial Statements 31st December 2021.

C.3 Market risk

Market risk is defined as the risk of losses on financial investments caused by adverse price movements. The market risk allocation within the standard formula capital requirement pre-diversification is £1.13m for KH SII Group and GPI. Market Risk includes, but is not limited to, the following categories:

C.3.1 Interest Rate Risk

Interest Rate Risk is defined as the risk of losses due to volatility in the term structure of interest rates or interest on assets and liabilities for which the net asset value is sensitive to changes. This applies to both real and nominal term structures. GPI mitigates the impact of any rate change through a complex matching exercise calculated by the Chief Actuary, where discounted liabilities (based on the issued risk-free rate) are mapped by maturity to assets of the same characteristics. This matching allows the detriment of interest rate change to be mitigated. GPI will review the portfolio, rebalancing it at approximately 6-monthly intervals.

The KH SII Group invests in mixed term debt at fixed interest rates. When interest rates rise, it is usual for the fixed rate securities to decline in value. A decline in interest rates will in general have the opposite effect. There is also an impact on the Profit and Loss Account in respect of the income received from debt securities.

The sensitivity analyses on the profit for the financial year below have been determined based on the exposure to interest rates movement of 2.0% and 0.5% increase or decrease. These parameters are set by management's assessments of the reasonably possible change in interest rates within an annual horizon.

The interest rate change impact on Bonds is calculated using the modified duration of bonds, being the market value cashflows timed to maturity. The fixed interest debtors are inherently not affected by a change in interest rates as they are held at amortised cost.

2.0% / 0.5% increase to interest rate on interest bearing assets	**2.0% Increase/(decrease) in own funds (capital)**	**0.5% Increase/(decrease) in own funds (capital)**	**0.5% Increase/(decrease) in own funds (capital)**
	2021 (£'000)	***2021 (£'000)***	***2020 (£'000)***
Bonds	(758)	(198)	(235)
Cash and cash equivalents	290	72	35

A 0.5% decrease to interest rates creates a reverse effect of the above to the own funds.

The KH SII Group's method for sensitivity to interest rate fluctuations has not changed significantly over the financial year.

C.3.2 Investment Default Risk

Investment Default Risk is defined as the risk that the investment portfolio of GPI materially depreciates in value due to a default or negative market. GPI has appointed professional investment managers LGT Vestra LLP to manage funds on a discretionary basis in line with its investment policy. Invested assets are held directly by GPI and not in nominee. Performance of medium and long-term investments are measured against inflation and agreed market indices aiming for an appropriate return. The return of the short-term reserves is monitored against benchmark cash rates and the credit rating of the holding institutions. The level of capital volatility is monitored by the Asset and Liability Committee (ALC) to ensure the risk profile remains appropriate for GPI. The ALC is responsible for monitoring and reviewing the assets of the business to ensure that assets are invested consistently with the time horizon of the future liabilities of the business, and to ensure that the GMB is furnished with appropriate recommendations in respect of these matters. The shape of the liability tail is used to co-ordinate the asset classes, term, and liquidity to ensure appropriateness and the shape is set by the Chief Actuary (SMF 20). GPI manages its own cash deposits matched to the actuarially assessed short term cash flow schedule. GPI manages its own investment properties, inter-company loans, and any other investments not covered above.

C.3.3 Currency Risk

Currency Risk is defined as the risk of losses due to changes in the level or volatility of relevant currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities. The risk is applicable to GPI as it undertakes certain claims transactions denominated in Euros for its smaller schemes that are in run off. As a result of this small exposure to exchange rate fluctuations arise. In order to reduce the exchange rate exposure, a 1.2m Euro denominated asset was purchased in December 2021.

C.3.4 Liquidity Risk

Liquidity Risk is defined as the risk that a company will not be able to meet short-term financial obligations due to the inability to convert assets into cash. Liquidity risk is defined as the risk of incurring losses due to an inability to meet payment obligations in a timely manner when they become due. The KH SII Group has short/medium and long-term cash requirements and balances the liquidity in its portfolio to match this. It manages liquidity risk through the following actions:

- The KH SII Group does not require a regular drawdown from investments, and accumulated income is reinvested.
- The KH SII Group monitors all planned spends beyond the cash flow needs of business as usual and operates a 5-year budgeting process to identify future spends and liquidity requirements.
- The KH SII Group is unlikely to need access to capital held within investments, as its' business-as-usual requirements are serviced via business-as-usual cash flow.
- In the event of The KH SII Group moving to a wind down situation then the liquidity of short-term assets and access to these would be required to be reviewed as the cash cycle from trading as a going concern would not be operating but this would form part of a run-off plan.

The KH SII Group holds liquidity to service requirements for a period no less than 12 months in ready access cash.

C.4 Credit risk

Credit risk is defined as the risk of a counterparty failing to meet their debt obligations. The KH SII Group manages it credit risk through the following actions:

- GPI receives most of its income through direct debit, which mitigates credit risk of customers. Payment sources of residual lines of income are diverse and don't form any material concentration areas. Therefore, credit and counterparty risks are centred upon the recoverability of current assets, and management of concentration risk of investments in line with good risk management and impact to capital requirement of SII SCR calculation.

- Ceasing all new loans and effectively managing the repayment plan for loans in situ, most of which are inter-company arrangements.
- Employee loans in exceptional circumstances are permitted under the discretionary agreement of the Executives, although the gross loan must be capped at the expected net pay amount of the individuals notice period, to negate credit risk.
- In addition to cash, the investment mandate provided to the investment managers permits only investment grade securities. The information is supplied by independent rating agencies where available and if not available, GPI uses other publicly available financial information and its own trading records to provide a form of rating
- All future investment decisions are considered under the Solvency II framework and the prudent person principle.
- Investments are time horizon matched in low volatility, appropriately liquid assets to match the expected liabilities both in value and time. The investment managers ensure the portfolio is spread across funds to minimise concentration risk adhering to the prudent person principle.

The KH SII Group does not have any significant credit risk exposure beyond its subsidiary Warranty Services Limited to any single counterparty out with the UK government. The credit risk on liquid funds and financial instruments is limited through the high credit ratings assigned by international credit-rating agencies to the bank counterparties.

All bonds and gilts are at a minimum BBB+ credit rating.

Reinsurance assets are reinsurers' share of claims paid. All reinsurers are minimum A- rating.

Loans and insurance receivables, and investment in subsidiaries generally do not have a credit rating.

The carrying value of assets are neither past due nor impaired.

The counterparty default risk allocation within the standard formula capital requirement pre-diversification for the KH SII Group is £360k (GPI £355k).

C.5 Reinsurance Risk

Reinsurance Risk is defined as the risk that the insurance undertaking within the KH SII Group will have to significantly increase capital thresholds or look to the Accelerant Group for assistance in raising sufficient capital, if unable to secure appropriate reinsurance. Any reinsurance placed must be with a reinsurer with at least an A- rating (rating assessed through the use of rating agencies S&P and AM Best; the higher of S&P or AM Best will be applied) and approved by the General Management Board. The KH SII Group has low appetite for reinsurance risk, however, as a risk mitigation tool, reinsurance continues to form a significant part of our risk universe. There is appropriate recognition of capital and solvency dependencies on our reinsurance provisions, with ongoing review as the business evolves. With the ever-changing socio-political landscape, and in light of the current pandemic and long-term fallout effects, reinsurance provisions are being scrutinized regularly to ensure cover remains adequate to continue in our current solvency and capital position. This includes stress testing the assumptions related to reinsurance recoveries, however given current arrangements, the scale of these factors is limited.

C.6 Operational risk

Operational risk is defined as the risk that a firm's internal practices, policies and systems are not adequate to prevent a loss being incurred, either because of market conditions or operational difficulties. The KH SII Group manages their operational risk through defined risk appetites and sound operational risk management practices, acknowledging that some level of operational risk is inherent in any business operation. The business, however, seeks to keep operational risk at the lowest degree possible through application of the governance, risk, and control frameworks, and associated resources. Executive management defines the operational risk appetite at a business unit and Company level.

C.6.1 Operational Resilience

The KH SII Group has implemented an Operational Resilience Framework to sit alongside and complement the existing Operational Risk Framework. The Operational Resilience Framework sets out the policies, process and Impact Tolerances that define the control environment designed to protect and sustain The KH SII Group's critical processes, people and infrastructure in times of operational stress, pressure and disruption, and restore the critical functions of the business in as short a time frame as possible, meaning minimal disruption to business operations and the KH SII Group's customers.

C.6.2 Regulatory Risk

As the KH SII Group operates in a highly regulated environment, we are cognisant of the exposure to potential regulatory action that may be punitive for the business, financially or reputational. This risk is mitigated through strong corporate governance and internal control frameworks that monitor our adherence to regulatory obligations and in particular to our treatment of customers. This is also validated with the maintenance of an open and proactive dialogue with the regulator.

C.6.3 Data Risk

Data risk is defined as the potential for losses related to the use and creation data due to failures in the storage, use, misuse (regulatory risk), transmission, management, privacy, and security of data leading to leakage or issues with quality of the underlying data. As a financial services Group, the KH SII Group is vulnerable to becoming a target of data breaches, due to the volume and sensitive nature of the data they hold. The KH SII Group has a tolerance for risk, allowing it to achieve its business goals and objectives in a manner that is compliant with UK data protection laws and regulations. The KH SII Group has a low-risk appetite for the loss of its business and customer data and physical information assets. To ensure compliance the KH SII Group has a robust Risk Management Framework in place, mandatory Cyber Risk training for employees and additionally carries out annual independent IT security audits.

C.6.4 People Risk

People Risk is the risk of a loss or a potential adverse effect due to inability to acquire, develop and/or retain talent and build / maintain bench strength (including training, succession planning, remuneration, key man) to achieve planned objectives. In accordance with the requirements of the SM&CR, a handover policy was first adopted in September 2018. The policy requires that all individuals in the senior management layer and in the certification layer complete and update a handover document on a periodic basis. This document gives an account of the risks and issues they are presently dealing with; MI they are required to produce; regulatory correspondence they are involved in; committees they are participating in, etc. The purpose being to mitigate people risk by ensuring that, in the event of a handover of responsibilities (planned or unplanned, for example, due to incapacity) a successor would be positioned to perform their duties.

A succession planning policy was formalised in March 2019, which requires that succession risk assessments be performed on all individuals in the senior management layer and in the certification layer. The nominations committee uses this data to keep a succession plan up to date for the senior managers and to determine the skills, experience and training necessary to provide potential successors.

Further to the above, the KH SII Group has implemented, or is in the process of implementing, various policies and Frameworks to address People Risk and create a happy, healthy and risk aware culture, such as the Diversity & inclusion Policy, The Home Working in Exceptional Circumstances Policy, and The Learning & Development Framework.

Given the small size of the KH SII Group, this remains a top risk faced by the business, with the disorderly loss of any key personnel potentially having significant impact on the business.

C.6.5 Accountability Frameworks Risk

Accountability Frameworks Risk is defined as the risk that the firm breaches any of its regulatory obligations, or any requirement under the accountability frameworks (this extends beyond the FCA/PRA to any regulatory obligations e.g., Solvency II/ Direct Debit Guarantee etc.). Adherence to the accountability regimes is key to the business objectives. Senior managers, prior to taking up their functions, require to be approved by the regulator in the first instance. Procuring regulatory approval for individuals undertaking controlled functions is a well understood and embedded process undertaken by the Head of Compliance.

The operational risk allocation within the standard formula capital requirement pre-diversification is £393k for the KH SII Group and GPI.

C.7 Other material risks

C.7.1 Strategic Execution Risk

Strategic Execution risk is defined as the risk of losses due to strategic/business planning that relies on inappropriate assumptions. Failure to recognise changes in industry practices and legal, judicial, social, and other environmental conditions resulting in inappropriate business strategy might cause to experience worse financial results. The Business Plan is put together with input from all business areas and is signed off by the GMB. It sets out what the business sets to achieve in the year in terms of income/profitability, and the strategy for the year ahead based on these projections. Failure to achieve the projections and goals set out within the Business Plan is a key risk to the KH SII Group, potentially meaning reduced income and profitability, and inability to put into effect strategic business initiatives set out within the plan. Ultimately, failure to achieve the business plan impacts the viability of KH SII Group, and therefore is a key risk to the business.

C.7.2 Emerging Risk

Emerging Risk is defined as the risk that the KH SII Group's financial resources, earnings stability, scheduled dividends, or ability to meet the commercial obligations are adversely impacted due to unforeseen or unrecognized events. This risk correlates to changes to building regulations which directly impact our market may have a detrimental impact on product demand and subsequentially, business operations. CPS conditions of authorisation are under review in order to ensure that robust protection can be delivered in practice, where a CPS permits a contractor to self-certify work. Consumer protection is at the centre of operational excellence and the KH SII Group continues to monitor this risk through open relationships with Competent Person Scheme providers, and with the Department of Levelling Up, Housing and Communities, and other related parties.

C.8 Any other information

No further information to be reported.

D. Valuation for Solvency Purposes

D.1 Assets

The tables below set out the valuation of each asset class for KH SII Group and GPI. All valuations are based on the KH SII Group and GPI year-end valuation of 31st December 2021.

The valuation method for SII purposes for the different asset types are described below. Where the valuation is different to the UK GAAP financial statements the difference in method is provided. Further information on the valuation of assets for UK GAAP financial statements can be found within both GPI's and Kinnell Holdings Ltd financial statements.

KH SII Group

Asset Type ***2021***	***Assets per Solvency II***	***Variance***	***Assets per UK GAAP***
Property UK	235,000	-	235,000
Investment Securities	12,304,865	(157,512)	12,147,353
Cash and Cash Equivalents	1,778,989	-	1,778,989
Investments in Subsidiary Undertakings	754,019	1,146,081	1,900,100
Subsidiary Receivables	645,588	(87)	645,501
Insurance and Intermediary Receivables	580,432	-	580,432
Deferred Acquisition costs	-	794,203	794,203
Deferred Tax	486,762	-	486,762
Reinsurance Receivable	17,976	-	17,976
Any other Assets not shown elsewhere	13,278,596	153,307	13,431,903
	30,082,227	**1,935,992**	**32,018,219**

GPI

Asset Type ***2021***	***Assets per Solvency II***	***Variance***	***Assets per UK GAAP***
Property UK	235,000	-	235,000
Investment Securities	12,304,865	(157,512)	12,147,353
Cash and Cash Equivalents	1,726,541	-	1,726,541
Investments in Subsidiary Undertakings	753,919	1,146,081	1,900,000
Subsidiary Receivables	645,588	(87)	645,501
Insurance and Intermediary Receivables	580,432	-	580,432
Deferred Acquisition costs	-	794,203	794,203
Deferred Tax Asset	486,729	-	486,729
Reinsurance Receivable	17,976	-	17,976
Any other Assets not shown elsewhere	13,272,974	143,742	13,416,716
	30,024,024	**1,926,427**	**31,950,451**

Property UK

Land and buildings are valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP. The property held at the balance sheet date was valued independently and reported on 11th January 2022 by DM Hall, Chartered Surveyors, it was prepared in accordance with RICS Valuation – Professional Standards in place at that time and was carried out in their capacity as External Valuers.

Investment securities

Our investments are valued for Solvency II purposes using the mid-price which represents fair value plus accrued interest. The annual Financial Statements, which follow UK GAAP, are valued at bid-price less accrued interest with accrued interest recognised within any other assets not shown elsewhere. The investments are valued at quoted prices in active markets for the same assets and this is carried out by external investment managers, LGT Vestra LLP.

As at 31st December 2021, the total value of KH SII Group's financial investments was £12.3m, analysed as follows:

	£
Government Bonds	7,171,035
Corporate Bonds	5,133.830
	12,304,865

The investment portfolio is managed by LGT Vestra LLP. The investment mandate held by them is categorised as Low Risk and aims for capital protection alongside a modest yield.

Cash and cash equivalents

The KH SII Group holds £1,747,697 in cash deposits in addition to the £31,292 of cash held within the investment portfolio, which are valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP which represents fair value. The cash is held to meet any short-term liabilities and spread appropriately to limit counterparty and concentration risks.

Investment in subsidiary undertakings, including participations

The KH SII Group holds investments in subsidiaries for strategic purposes measured at current value cost in the annual Financial Statements. For Solvency II, in the absence of quoted market prices in active markets the related undertakings are valued using the adjusted equity method, as per Article 13(3), under Solvency II.

Subsidiary Receivables

The KH SII Group holds a loan due from its subsidiary. The Solvency II value of this is discounted using the EIOPA yield curve over the term of loan. There is not a material difference to the UK GAAP valuation.

Insurance and intermediary Receivables

These balances relate to balances due from intermediaries relating to direct insurance operations. These are valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP.

Deferred Acquisition Costs

The KH SII Group holds a deferred acquisition cost asset in relation to costs incurred while writing policies. These costs are recognised over the lifetime of the policy. Deferred acquisition costs are not recognised for SII valuation purposes.

Deferred Tax

The KH SII Group holds a deferred tax asset in relation to trading losses carried forward from prior years. The asset can only be utilised through application to future profits. Current financial projections of the company indicate that the deferred tax asset of £486,762 is likely to be utilised in the foreseeable future.

This is valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP.

Reinsurance receivables

Reinsurance receivables relate to the amount owed to us from our reinsurers arising from claims payments made. These are valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP.

Other assets

The remaining assets are valued on the same basis between Solvency II and the UK GAAP balance sheet apart from prepayments which are not recognised for SII valuation purposes and creates the difference between the two valuation methods. Other assets also include cash funds of £12,749,092 which are managed by LGT Vestra LLP, and reported on the same fair value basis for Solvency II and UK GAAP.

D.2 Technical Provisions

Components of Technical Provisions

Technical Provisions represent the current cost of insurance liabilities at the balance sheet date. They are calculated on a discounted cash flow basis and include the following high-level components to be calculated separately:

- Best estimate of claims provisions being claims expected to be incurred at the balance sheet date
- Best estimate of premium provision being claims expected to be incurred after the balance sheet date on contracts incepted prior to that date
- Risk Margin representing the amount a third party would require in addition to the best estimate to assume liability, calculated on a cost of capital basis.

No significant simplifications of the calculation of Technical Provisions are used, and sources of uncertainty, magnitude and likelihood are explained under the different components.

Set out in the table below is a summary of the Solvency II and UK GAAP valuations of technical provisions split between best estimate and risk margin. The reconciling items between UK GAAP and Solvency II are included in the table on page 32.

KH SII Group and GPI

31 December 2021	**Liabilities per Solvency II**	**Liabilities per UK GAAP**
Technical Provisions	13,092,435	20,822,053
Risk Margin	2,196,557	-
	15,288,992	**20,822,053**

The only material line of business that the KH SII Group writes is Miscellaneous Financial Loss and as such the table above covers this class in its entirety.

The reconciling items between UK GAAP and Solvency II are as follows:

	31 December 2021	**31 December 2020**
Liabilities per UK GAAP	**20,822,053**	**19,994,643**
Modelled premium data difference	189,877	128,595
Inflation of unearned premiums	2,280,846	1,581,087
Discounting of unearned premiums	(707,720)	(189,741)
Application of Loss Ratios	(11,475,092)	(11,439,170)
Management Expenses	731,054	691,464
Investment Expenses	747,862	570,778
Events Not In Data loading	503,555	453,506
Risk Margin	2,196,557	1,671,239
Liabilities per Solvency II	**15,288,992**	**13,462,401**

Gross claims cash flows and reinsurance recoveries

Our best estimate calculations have been completed on a deterministic basis as per the Directive.

Claims reserve

The current claims provisions have been developed over time to separate best and prudent elements. The claims provisions on a UK GAAP basis have been used as a starting point for the expected nominal value of the Solvency II future cash flow. We have excluded elements within our UK GAAP provisions which we consider to represent prudence. We have also only included expenses which relate to the cost of handling existing business.

Projected cash flows are estimated by applying payment patterns to the estimate of gross claims and recoveries. These payment patterns have been calculated based on historic trends for each Solvency II line. However, given the relative short-term nature of the payment cycle of outstanding claims, the impact of discounting on our technical provisions is limited. In addition, the short tail nature of the actual claims cost results in low levels of uncertainty. This also applies to the magnitude and likelihood of this Technical Provision component not being accurate, as the period open to variable change is short.

Premium reserve

Premium reserve replaces unearned premium reserve (UPR). Premium reserves are split between future claims element and future expense element. To determine the nominal amount of future claims we take the amount of the UPR for each cohort of business within the UK GAAP accounts and multiply it by the planned loss ratio for the current year. We have included in the amount for expenses which represent our estimate of the cost of handling the remaining element of this business. Sources of uncertainty within this calculation are driven from use of historic trending. Assumptions are used that the past experience will be replicated in the future. However, uncertainty is created if events of the past do not then occur in the future, and conversely, events not in past data, manifest in the future. This is countered by an additional calculation to recognise this. Events Not In Data (‘ENID’) is used to reduce uncertainty driven by using past data. In addition to the ENID calculation, loss ratios are recalibrated every year, to ensure the most appropriate relevant data is used. The loss ratio data becomes more stable, as more years of data is added to the experience analysis. The recalibration every year reduces the magnitude of any uncertainty as well as the likelihood.

Discounting

Claims, premium and expense cash flows have been discounted using the EIOPA yield curve.

Risk Margin

To calculate the risk margin, we have estimated the SCR using the Standard Formula. We have then projected future SCRs using run off patterns for different elements of the SCR. We have discounted and summed the projected SCR’s and multiplied this by the cost of capital.

Data adjustments and recommendations

Overall, we consider that the Technical Provisions are prepared on a suitable basis, in line with the approach laid down in the legislation and sources of interpretation we have referred to. It is expected that our approach will continue to develop from evolution of industry practice including guidance by the Regulator and our ongoing internal reviews

Deferred Tax Liability

A deferred tax liability is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The method for calculation of deferred tax liability is consistent between the financial statements and the Solvency II basis of preparation.

As per the accounting basis, Solvency II recognises the deferred tax liability arising from the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Articles 75 to 86 of Directive 2009/138/EC and the values ascribed to assets and liabilities as recognised and valued for tax purposes. Deferred tax assets are offset against deferred tax liabilities where right to offset exists.

Any additional deferred tax liability arising from the differences between assets and liabilities which would result in tax timing differences under UK GAAP and Solvency II balance sheets follow the provisions of Article 15.

A deferred tax liability has been recognised by KH SII Group of £1,185,787 (2020: £0) and by GPI of £1,188,178 (2020:£0).

D.3. Other liabilities

Set out in the table below are our other liabilities under Solvency II and UK GAAP. For Solvency II purposes, we have adopted the figures that appear in our UK GAAP financial statements for Other liabilities.

KH SII Group

	Liabilities per Solvency II	Liabilities per UK GAAP
Creditors arising out of direct insurance operations	570,785	570,785
Other creditors including taxation and social welfare	410,576	410,576
Intercompany loan	794,548	794,548
Accruals and deferred income	606,070	606,070
Total	**2,381,979**	**2,381,979**

GPI

	Liabilities per Solvency II	Liabilities per UK GAAP
Creditors arising out of direct insurance operations	570,786	570,786
Other creditors including taxation and social welfare	375,129	375,129
Accruals and deferred income	560,449	560,449
Total	**1,506,364**	**1,506,364**

D.4 Alternative methods for valuation

No alternative valuation methods are used by the KH SII Group, apart from the valuation of Investment in subsidiary undertakings, including participations, where the KH SII Group holds investments in subsidiaries for strategic purposes. The Solvency II value is lower than the UK GAAP carrying value as intangible assets held by the subsidiary are deducted from the Solvency II valuation.

D.5 Any other information

No further information to be reported.

E. Capital Management

E.1 Own funds

KH SII Group is funded through share capital and retained earnings and maintains an efficient capital structure. In 2021, following the acquisition by the Accelerant Group, the Board passed a resolution to align the regulated insurance carrier within the KH SII Group to the Accelerant Group Capitalisation Policy and the Accelerant Group Risk Appetite Policy. Following the adoption of the Accelerant Group Capitalisation Policy, KH SII Group and GPI are required to maintain a target capital range of plus or minus ten percent of the Target Capital ratio of 140% and 150% respectively. Any Capital Deficit outside the Target Capital range is expected to trigger a capital contribution by the parent company or other measures to restore the capital position, subject to the approval of the parent company's Board of Directors. GPI received a capital injection of £5.2m in December 2021 from the parent company to increase the solvency coverage ratio, with further investment planned in Q2 2022 to increase the solvency coverage ratio's in line with the Accelerant Group Target Capital ratio of 140% and 150% respectively; The KH SII Group does not hold any other capital such as subordinated debt, preference shares or borrowings.

KH SII Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders and regulators;
- to retain financial flexibility by maintaining strong liquidity;
- to allocate capital efficiently to support growth; and
- to comply with quantitative requirements of Pillar 1 of the Solvency II Directive.

Capital Management is embedded within the Risk Management Framework as detailed in Section B3.

The Chief Financial Officer is responsible for the day-to-day monitoring of the KH SII Group and GPI's capital position and monthly updates are provided to the Executive Committee, Board Risk Committee and the GMB.

In addition, the ORSA, Medium Term Capital Management Plan (MTCMP) and detailed projections consider capital management over the planning period with no identified short comings. A range of stress and scenario testing has been undertaken and has not highlighted any deficiencies not already captured within the SCR(SF).

<u>KH SII Group Own Funds</u>

At the 31st December 2021 KH SII Group had total own funds of £11.23m. These are split between Tier 1 and Tier 3.

The own funds supported the Solvency Capital Requirement of £9.36m resulting in a ratio of eligible funds to meet the SCR of 120% and a surplus of £1.87m.

KH SII Group Own Funds	31 December 2021	31 December 2020
Own Funds – Tier 1	10,738,706	8,852,235
Own Funds – Tier 3	486,762	453,606
Total	**11,225,486**	**9,305,841**

Own Funds have increased significantly over the year primarily due a capital injection of £5.2m.

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes:

Reconciliation of Basic Own Funds to Equity in UK GAAP Financial Statements	***31 December 2021 (£m)***	***31 December 2020 Restated[6](£m)***
Total Equity in UK GAAP Financial Statements	**8.814**	**4.305**
Deduct items not recognised in Financial Statements		
1. Risk Margin	(2.197)	(1.671)
2. Difference between BEL and Technical Provisions	7.730	8.267
3. Movement in valuation of subsidiary	(1.146)	-
4. Difference between Prepayments	(0.047)	(0.901)
5. Introduction of Reinsurance Recoverable	-	0.138
6. Deferred acquisition costs	(0.794)	(0.833)
7. Difference in Investment securities	0.157	-
8. Deferred tax liability	(1.186)	-
9. Difference between Tangible Assets	-	0.001
10. Difference in Receivables	(0.106)	
Solvency II – Basic Own Funds	**11.225**	**9.306**

The differences in relation to the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes relates to the following eight adjustments:

1. The risk margin calculation is a SII calculation and is not recognised within the UK GAAP financial statements.
2. The difference between the Best Estimate of Liabilities and the UK GAAP financial statements relates to timing differences on revenue recognition. This difference is more pronounced in GPI's comparison as the timing differences can be spread up to 25 years. The straight-line earning pattern in the financial statements does not match to the ultimate expected liability of the Solvency II valuation.
3. The Solvency II directive requires the Investment in subsidiary to be recognised using the adjusted equity method which is different to the UK GAAP financial Statement value which recognises the Investment at historical cost. This adjustment was recognised for the first time in 2021.

[6] Restated due to change in accounting policy. For detail see GPI Financial Statements 31st December 2021.

4. The Solvency II valuation of prepayments is to recognise cost at onset; however, UK GAAP financial reporting requires the cost to be incurred straight line over the term of the prepayment.
5. The Solvency II valuation of Reinsurance recoverables is the simulated risk transfer recoveries and is not recognised within the UK GAAP financial statements.
6. Deferred acquisition costs are not recognised for Solvency II valuation.
7. The Solvency II valuation of Investment securities is mid-price, UK GAAP uses bid-price
8. The deferred tax liability results from the difference between net assets (primarily Technical Provisions) between the UK GAAP and Solvency II balance sheets multiplied by the applicable tax rate
9. Tangible assets that are not recognised in the Solvency II valuation.
10. The Solvency II valuation of Investment securities includes Accrued Interest which is disclosed as a receivable within the UK GAAP financial statements.

None of the KH SII Group's own funds are subject to transitional arrangements and the KH SII Group has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability. The Tier 3 own funds based on deferred tax is not transferable as the asset is tied to profits made by the GPI.

GPI

At the 31st December 2021 GPI had total own funds of £12.04m. These are split between Tier 1 and Tier 3.

The own funds supported the Solvency Capital Requirement of £9.36m resulting in a ratio of eligible funds to meet the SCR of 129% and a surplus of £2.68m. The Minimum Capital Requirement (MCR), a minimum level below which the amount of financial resources should not fall was £2.97m, resulting in a ratio of eligible funds to meet the MCR of 389%.

Tier 1 are arising from retained profits arising from past underwriting and investment surpluses. They are available to fully absorb losses on a going-concern basis, as well as in the case of winding-up, meeting all criteria of Article 94 of Directive 2009/138/EC to be classified as Tier 1 own funds. All GPI's Tier 1 funds are unrestricted.

Tier 3 funds are in relation to a deferred tax asset. This has arisen as a result of historic trading losses carried forward from prior years and can only be used against future profits. It is expected to be utilised in the foreseeable future.

Own Funds	**31 December 2021**	**31 December 2020**
Own Funds – Tier 1	11,554,030	9,689,685
Own Funds – Tier 3	486,729	453,583
Total	**12,040,759**	**10,143,268**

Own Funds have increased significantly over the year due a capital injection of £5.2m.

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes.

Reconciliation of Basic Own Funds to Equity in UK GAAP Financial Statements	***31 December 2021 (£m)***	***31 December 2020 Restated[7] (£m)***
Total Equity in UK GAAP Financial Statements	**9.622**	**5.144**
Deduct items not recognised in Financial Statements		
1. Risk Margin	(2.197)	(1.671)
2. Difference between BEL and Technical Provisions	7.730	8.267
3. Movement in valuation of subsidiary	(1.146)	-
4. Difference between Tangible Assets	-	(0.001)
5. Difference between Prepayments	(0.037)	(0.901)
6. Introduction of Reinsurance Recoverable	-	0.138
7. Deferred acquisition costs	(0.794)	(0.833)
8. Difference in Investment Securities	0.157	-
9. Deferred Tax Liability	(1.188)	-
10. Difference in Receivables	(0.106)	-
Solvency II – Basic Own Funds	**12.041**	**10.143**

The differences in relation to the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes relates to the following eight adjustments:

1. The risk margin calculation is a SII calculation and is not recognised within the UK GAAP financial statements.
2. The difference between the Best Estimate of Liabilities and the UK GAAP financial statements relates to timing differences on revenue recognition. This difference is more pronounced in GPI's comparison as the timing differences can be spread up to 25 years. The straight-line earning pattern in the financial statements does not match to the ultimate expected liability of the Solvency II valuation.
3. The Solvency II directive requires the Investment in subsidiary to be recognised using the adjusted equity method which is different to the UK GAAP financial Statement value which recognises the Investment at historical cost. This adjustment was recognised for the first time in 2021.
4. Tangible assets are not recognised in the Solvency II valuation.
5. The Solvency II valuation of prepayments is to recognise cost at onset; however, UK GAAP financial reporting requires the cost to be incurred straight line over the term of the prepayment.
6. The Solvency II valuation of Reinsurance recoverables is the simulated risk transfer recoveries and is not recognised within the UK GAAP financial statements.
7. Deferred acquisition costs are not recognised for Solvency II valuation.
8. Investment securities are valued at mid-price UK GAAP uses bid-price.

[7] Restated due to change in accounting policy. For detail see GPI Financial Statements 31st December 2021.

9. The deferred tax liability results from the difference between net assets (primarily Technical Provisions) between the UK GAAP and Solvency II balance sheets multiplied by the applicable tax rate.
10. The Solvency II valuation of Investment securities includes Accrued Interest which is disclosed as a receivable within the UK GAAP financial statements.

None of GPI's own funds are subject to transitional arrangements and GPI has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability. The Tier 3 own funds based on deferred tax is not transferable as the asset is tied to profits made by the GPI.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

KH SII Group SCR is calculated on an accounting consolidation method. The KH SII Group applies the standard formula for the calculation of the Solvency Capital Requirement.

	31 December 2021 £m	31 December 2020 £m
GPI SCR	9.360	7.372
Kinnell Holdings Ltd SCR	0.003	0.004
KH SII Group SCR	**9.363**	**7.376**

The diversification benefit increases by £3k at KH SII Group Level.

KH SII Group

KH SII Group's SCR is calculated by applying the Standard Formula method without use of any undertaking specific parameters (USPs). The GMB and its external advisors have confirmed its appropriateness.

The calculation of the SCR under SF and the extensive interaction with external consultants to prepare and understand the drivers within the capital modelling process has highlighted two key drivers of the model kernel for GPI, being Non-Life Underwriting Risk and Market Risk. A summary of the breakdown of the SCR at 31 December 2021 is shown below:

SCR – By Risk Category	31 December 2021 (£m)	31 December 2020 (£m)
Non-Life Underwriting risk	8,430,351	6,112,584
Market risk	1,128,875	1,858,854
Counterparty default risk	359,609	379,675
Diversification benefit	(948,467)	(1,328,437)
Basic Solvency Capital Requirement	8,970,368	7,022,686
Operational risk	392,773	353,735
Solvency Capital Requirement	**9,363,141**	**7,376,421**

The commutation of the ADC/LPT insurance contract has contributed to the significant increase in the SCR.

The KH SII Group minimum capital requirement (MCR) is equivalent to the GPI MCR and is calculated as a linear function of a set or sub-set of the following variables: GPI's technical provisions, written premiums, capital at risk, deferred tax, and administrative expenses. The variables are measured net of reinsurance.

GPI

GPI's SCR is calculated by applying the Standard Formula method without use of any undertaking specific parameters (USPs). The GMB and its external advisors have confirmed its appropriateness.

The calculation of the SCR under SF and the extensive interaction with external consultants to prepare and understand the drivers within the capital modelling process has highlighted two key drivers of the model kernel for GPI, being Non-Life Underwriting Risk and Market Risk. A summary of the breakdown of the SCR at 31 December 2021 is shown below:

SCR – By Risk Category	31 December 2021 (£m)	31 December 2020 (£m)
Non-Life Underwriting risk	8,430,351	6,112,584
Market risk	1,128,860	1,858,854
Counterparty default risk	354,627	371,122
Diversification benefit	(946,172)	(1,324,626)
Basic Solvency Capital Requirement	8,967,666	7,017,934
Operational risk	392,773	353,735
Solvency Capital Requirement	**9,360,439**	**7,371,669**

The commutation of the ADC/LPT insurance contract has contributed to the significant increase in the SCR.

The minimum capital requirement (MCR) is calculated as a linear function of a set or sub-set of the following variables: GPI's technical provisions, written premiums, capital at risk, deferred tax, and administrative expenses. The variables are measured net of reinsurance.

The overall MCR calculation outputs for current and prior years are shown below.

Overall MCR Calculation	31 December 2021 (£m)	31 December 2020 (£m)
Linear MCR	2,973,336	2,551,819
SCR	9,360,439	7,371,669
MCR Cap	4,212,198	3,317,251
MCR Floor	2.340,110	1,842,917
Combined MCR	2,973,336	2,551,819
Absolute floor of the MCR	2,112,250	2,255,200
Minimal Capital Requirement	**2,973,336**	**2,551,819**

The increase in the MCR is mostly due the increase in the best estimate liabilities.

The SCR at 31st December 2021 is calculated to be £9,360,439.

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

The duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement is not available for KH SII Group, nor GPI.

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

KH SII Group, nor GPI does not use nor has any short-term intention of using an internal model therefore no differences exist.

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

During the full reporting period the KH SII Group was compliant with its MCR.

As at year end, the valuation method for the investment in subsidiary (Warranty Services Ltd) has changed from a historical cost basis to the adjusted equity method. Furthermore, a deferred tax liability has also been included for the first time in the 31st December 2021 valuation.

Retrospectively applying these changes to the 2021 period results in the estimated KH SII Group solvency coverage ratio being below 100% for the reporting from 1 January 2021 to 31 December 2021; with the estimated GPI solvency coverage ratio being below 100% from 31st March 2021 to 29th December 2021. The maximum drop in the year would have been at half-year, with the estimated KH SII Group solvency coverage ratio at 80% and the estimated GPI solvency coverage ratio at 91%.

The solvency coverage ratio was restored to above 100% on both a GPI basis and a KH SII Group basis as a result of a capital injection which took effect on 29th December 2021. However, these changes also meant that the December 2021 capital injection increased KH SII Group solvency coverage ratio to 120% and GPI solvency coverage ratio to 129%, rather than to target solvency coverage ratio as was the intention. Consequently, a further injection is expected in Q2 2022, to increase the solvency coverage ratio in line with the target capital ratio of 150% for GP and 140% for the KH SII Group.

E.6 Any other information

We have set out to fully comply with the Standard Formula calculation of MCR and SCR and are not aware of any non-compliance. There is a risk within areas of interpretation as to the methodologies and procedures in arriving at these outputs. The GMB utilises the expertise of its internal and external advisors to ensure that industry benchmarking, shared knowledge, procedures, and learnings help to mitigate this. To date we have not identified any area where these uncertainties are likely to lead to a material misstatement of our capital requirements.

Appendix i: Directors' statement in respect of the SFCR

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

We are satisfied that:

a) throughout the financial year in question, the group has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the group; and

b) it is reasonable to believe that the group has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Board

Steven Clark (May 20, 2022 11:43 GMT+1)

Steven Clark
Chief Financial Officer
Date: 20.05.2022

Appendix ii: Quantitative Reporting Templates

GUARANTEE PROTECTION INSURANCE LIMITED

Solvency and Financial Condition Report

Disclosures

31 December

2021

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	GUARANTEE PROTECTION INSURANCE LIMITED
Group identification code	213800X5UHKV2UWAE715
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
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

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.23.01.22 - Own Funds

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	487
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	26,043
R0080	*Property (other than for own use)*	235
R0090	*Holdings in related undertakings, including participations*	754
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	12,305
R0140	*Government Bonds*	7,171
R0150	*Corporate Bonds*	5,134
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	12,749
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	646
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	646
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	580
R0370	Reinsurance receivables	18
R0380	Receivables (trade, not insurance)	530
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
R0410	Cash and cash equivalents	1,779
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	30,082

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	15,289
R0520	*Technical provisions - non-life (excluding health)*	15,289
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	13,092
R0550	*Risk margin*	2,197
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	1,186
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	571
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,811
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	18,857
R1000	**Excess of assets over liabilities**	11,225

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												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	Misc. financial loss	Health	Casualty	Marine, aviation and 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							353					4,434					4,787
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net							353					4,434					4,787
	Premiums earned																	
R0210	Gross - Direct Business							181					4,066					4,247
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net							181					4,066					4,247
	Claims incurred																	
R0310	Gross - Direct Business							108					2,920					3,028
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share												-18					-18
R0400	Net							108					2,938					3,046
	Changes in other technical provisions																	
R0410	Gross - Direct Business							172					373					545
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net							172					373					545
R0550	**Expenses incurred**							0					1,608					1,608
R1200	**Other expenses**																	
R1300	**Total expenses**																	1,608

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			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
	Premiums written							
R0110	Gross - Direct Business	4,787						4,787
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	4,787						4,787
	Premiums earned							
R0210	Gross - Direct Business	4,247						4,247
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	4,247						4,247
	Claims incurred							
R0310	Gross - Direct Business	3,028						3,028
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	-18						-18
R0400	Net	3,046						3,046
	Changes in other technical provisions							
R0410	Gross - Direct Business	545						545
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	545						545
R0550	**Expenses incurred**	1,608						1,608
R1200	**Other expenses**							
R1300	**Total expenses**							1,608

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	5,200	5,200		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	5,539	5,539			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	487				487
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
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**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	11,225	10,739	0	0	487
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	11,225	10,739	0	0	487
R0530	Total available own funds to meet the minimum consolidated group SCR	10,739	10,739	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	11,225	10,739	0	0	487
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	10,739	10,739	0	0	
R0610	**Minimum consolidated Group SCR**	9,363				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	114.69%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	11,225	10,739	0	0	487
R0680	**Group SCR**	9,363				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	119.89%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	11,225
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	5,687
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	5,539
	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)**	0

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,129		
R0020	Counterparty default risk	360		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	8,430		
R0060	Diversification	-948		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	8,970		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	393
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	9,363
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	9,363
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	9,363
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	9,363

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800X5UHKV2UWAE715	LEI	Guarantee Protection Insurance Limited	Non life insurance undertaking	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
2	GB	213800X5UHKV2UWAE715GB0010	Specific code	Kinnell Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
3	GB	213800X5UHKV2UWAE715GB9999	Specific code	Millburn Insurance Company Ltd	Life insurance undertaking	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
4	GB	213800X5UHKV2UWAE715GB0001	Specific code	Warranty Services Limited	Other	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
5	GB	213800X5UHKV2UWAE715GB0012	Specific code	Kinnell Corporate Limited	Other	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
6	GB	213800X5UHKV2UWAE715GB0014	Specific code	Confederation Holdings Limited	Other	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
7	GB	213800X5UHKV2UWAE715GB0015	Specific code	Remedial Company Limited	Other	Companies limited by shares	Non-mutual	Prudential Regulatory Authority

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800X5UHKV2UWAE715	LEI	Guarantee Protection Insurance Limited	100.00%	100.00%	100.00%		Dominant		Included in the scope		Method 1: Full consolidation
2	GB	213800X5UHKV2UWAE715GB0010	Specific code	Kinnell Holdings Limited							Included in the scope		Method 1: Full consolidation
3	GB	213800X5UHKV2UWAE715GB9999	Specific code	Millburn Insurance Company Ltd	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2015-12-15	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
4	GB	213800X5UHKV2UWAE715GB0001	Specific code	Warranty Services Limited	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2020-12-16	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
5	GB	213800X5UHKV2UWAE715GB0012	Specific code	Kinnell Corporate Limited	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2020-12-16	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
6	GB	213800X5UHKV2UWAE715GB0014	Specific code	Confederation Holdings Limited	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2020-12-16	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
7	GB	213800X5UHKV2UWAE715GB0015	Specific code	Remedial Company Limited	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2020-12-16	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC