Irwell Insurance Company Limited

Solvency and Financial Condition Report (SFCR)

As at 31 March 2018

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Irwell Insurance Company Limited
Solvency and Financial Condition Report
31 March 2018
Executive Summary

The Company continues to operate profitably in its specialist area of insuring employment and taxation risks. All business is written through companies in the Peninsula Business Services Group Limited ('PBSG'), acting as intermediaries. The business has grown in the year which is principally due to this being the first full year of underwriting the Croner business acquired by PBSG in 2015.

Irwell is confident in the robustness of its governance procedures, considering them to be both appropriate and proportionate. In delivering our system of governance, we are well supported by our outsourced actuarial and internal audit partners.

This is the second financial year when we have been operating and reporting under the Solvency II regime. We calculate our Solvency Capital Requirement (SCR) using the Standard Formula. The Company's SCR at 31 March 2018 is £11,870k (2017 £11,044k). This is covered by £20,485k (2017 £17,321k) of eligible capital resources, giving a Solvency II surplus of £8,615k (2017 £6,277k) and a capital ratio of 173% (2017 157%). The increase is principally due to the reversal the impairment of a £3m loan (see A3).

11 July 2018

C Houghton Chairman Date

A. Business and Performance

A.1 Business

Name and legal form of the undertaking

Irwell Insurance Company Limited (Irwell) is a private company limited by shares. The Company operates from a single office, the address of which is:

2 Cheetham Hill Road, Manchester, M4 4FB

This is also the registered office of the Company.

The Company has no related undertakings or branches.

Regulator

The Company is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The PRA is responsible for the financial supervision of insurance companies and is therefore the supervisor for the purposes of Solvency II regulation. The address of the PRA is:

20 Moorgate
London EC2R 6DA

External auditors

The external auditors are:

PKF Littlejohn LLP
1 Westferry Circus Canary Wharf London E14 4HD

Ownership

The Company has two shareholders. The controlling party is the beneficiaries of the Fred Done 1998 Children's Life Interest Settlement, a trust fund set up by F. Done into which has been placed 2,638,296 shares (65.96%). The beneficiaries are the children of F. Done.

The other shareholder is P. Done, who holds 1,361,704 shares in the Company (34.04%).

Material Lines of Business and Geographical Areas

The principal activity of the Company is the transaction of general insurance business. All business is written through companies in PBSG, acting as intermediaries, being Peninsula Business Services Limited ('PBS'), Croner Group Limited ('CG'), and Croner Taxwise Limited ('CTW'). The business written through PBS and CG provides indemnity against awards and costs relating to employment tribunal claims and legal costs relating to potential breaches of Health and Safety legislation and that written through CTW provides indemnity against professional fees relating to HM Revenue & Customs investigations.

Most of our business is UK based although approximately 4% of our business comes from the Republic of Ireland.

Significant business or external events in the year

On 26 July 2017, the Supreme Court unanimously ruled that the government acted unlawfully and unconstitutionally in introducing tribunal fees in 2013. As a result, the government decided that employment tribunal fees would be discontinued with immediate effect. The introduction of tribunal fees significantly reduced the number of employment claims reported to the Company. Towards the end of the current financial year, Irwell has started to experience the expected increase in claims notifications resulting from the abolition of tribunal fees.

From October 2016, Irwell has underwritten the insurance business relating to Croner Group Limited (Croner), a complementary HR consulting and tax fee protection business acquired by PBSG in 2015. The financial year ended 31 March 2018 is therefore the first full year of writing this business and the current year increase in premium levels is due to this factor.

The result of the EU referendum requires us to consider the future of our operations in the Republic of Ireland. As a UK domiciled company, Irwell currently passports business into the Republic of Ireland under Freedom of Services. Currently the Republic of Ireland supplies £994,000 of Gross Written Premium to Irwell. Due to the small amount of business written in Ireland, we do not think it feasible to operate a branch office in that territory. Consequently, it is our intention to work in partnership with another Insurer already operating in the Republic on a Quota Share reinsurance basis. The producing agents on whom Irwell relies for business already have relationships with two large multi-national insurers and talks with those companies are progressing.

A.2 Underwriting Performance

Underwriting performance

The following table summarises the underwriting performance of the Company:

	Legal expenses	*General liability*	*Total*
	£000	*£000*	*£000*
2018			
Gross premiums written			
- UK	23,619	2,429	26,048
- Ireland	623	371	994
	24,242	**2,800**	**27,042**
Gross premiums earned	24,569	2,757	27,326
Gross claims incurred	(10,132)	(2,432)	(12,564)
Allocated investment return			(12)
Net operating expenses			(13,323)
Balance of technical account			**1,427**

	£000	£000	£000
2017			
Gross premiums written			
- UK	19,767	2,173	21,940
- Ireland	503	275	778
	20,270	**2,448**	**22,718**
Gross premiums earned	18,030	2,472	20,502
Gross claims incurred	(10,163)	(74)	(10,237)
Allocated investment return			273
Net operating expenses			(10,018)
Balance of technical account			**520**

The increase in both premiums written and the overall profitability of the underwriting is principally the result of writing a full year's premiums relating to the Croner business acquired by PBSG in 2015. In addition, certain specific actions and developments have affected the underwriting result as follows:

- In respect of the employment business introduced by PBS, the claims reserves have increased as a result of the increase in claim notifications discussed in A1 above.;
- The rate of commission payable to PBS was increased from 1 April 2017;
- From 1 July 2017, the commission paid by Irwell on CTW business was reduced;
- In respect of business introduced by CTW and CG, improved controls have been introduced over underwriting and claims management;
- The profit commission agreement has been amended so that it is now payable based on the overall result of business produced by PBSG subsidiaries rather than separately for each intermediary. As a result of this change and the other changes itemised above, no profit commission is payable for the year ended 31 March 2018. In the prior year, profit commission of £1,160k was payable.

Reinsurance

The Company does not purchase reinsurance since we deem our catastrophe risk to be low. This is a decision that is regularly reviewed and confirmed.

A.3 Investment Performance

Overall investment performance

Until 31 March 2017, our investment portfolio was managed by AllianceBernstein (AB). From April 2017, investment management services have been provided by Lombard Odier & Cie (Gibraltar) Limited (LO). Our outsourced investment managers operate under the Company's approved investment policy. Irwell's investment portfolio is low risk in terms of asset type, duration and diversification.

At 31 March 2018, the Company's investment portfolio comprised the following:

	31 March 2018		*31 March 2017*	
	£000	*% of total*	*£000*	*% of total*
Government bonds	1,686	4	20,132	65
Corporate bonds	27,314	68	6,125	20
Cash and cash equivalents	4,488	11	4,683	15
Futures contract	3,930	10	0	0
Loans	3,000	7	0	0
Total	**40,418**	**100**	**30,940**	**100**

Amounts are shown inclusive of accrued income.

The Company has no investments in securitisations.

Exchange traded derivatives are approved for hedging purposes only, where such instruments can be shown to improve the quality, profitability, liquidity or security of the portfolio.

During year ended 31 March 2008, a loan of £3 million was made to Goldentree Financial Services PLC. This loan was fully provided against at 31 March 2010. On the 23 May 2018, the loan was repaid in full. As a result, the value of the investment has been reinstated at its full value as at 31 March 2018.

The investment yield for the year ended 31 March 2018 was as follows:

	31 March 2018		*31 March 2017*	
	£000	*% of total*	*£000*	*% of total*
Government bonds	5	5	336	66
Corporate bonds	25	26	138	27
Cash and cash equivalents	7	7	12	2
Futures contracts	60	62	-	-
Loans	0		26	5
Total	**97**	**100**	**512**	**100**

Investment performance last year was impacted by a number of factors. The change in the investment manager to Lombard Odier, and subsequent review of the investment policy, led to a restructuring of the portfolio and brought about related transaction costs. Importantly an increase of the base rate from 0.25% to 0.50% in November 2017 led to weaker market conditions. A slowdown in the economy, as well as jittery equity markets in the first quarter of 2018, meant that the corporate bonds that we typically hold experienced additional weakness as investors sold these bonds in favour of more secure government bonds.

Going forward we expect market conditions to remain challenging as economic and financial conditions argue in favour of gradual increases in base rates. It is also possible that "Hard Brexit" related risks could dampen further the performance in corporate bond market over coming months. It therefore seems likely that investment returns on our portfolio will remain low over the coming year.

A.4 *Performance of other activities*

Irwell has no leasing arrangements.

There are no income or expense items other than those detailed in A.2 and A.3 respectively.

A.5 *Any other information*

There is no material information regarding Irwell's business and performance to be disclosed other than as detailed in A1-4 above.

B.1 General information on the system of governance

General governance arrangements

Board

The Board has ultimate responsibility for organising and controlling the Company's business. Its principal functions are to determine the Company's risk appetite and business strategy, to have oversight of the Company's operations and performance and to ensure that the Company has an effective risk management process. The Board normally meets four times a year.

Audit and Risk committee (ARC)

The Board formally delegates responsibility for audit and risk matters to an ARC. The committee meets at least four times a year. Its terms of reference cover the following principal areas:

- Monitor the integrity of the Company's financial statements and regulatory reporting;
- Review the Company's internal controls;
- Review the Company's risk management systems, including risk appetite and the identification and management of key risks;
- Review and monitor the internal and external audit processes;
- Procedures for handling allegations from whistle-blowers.

Executive management

Day to day management of the business is in the hands of three executive directors. They are responsible for risk management, compliance, underwriting policy, claims review and approval, claims reserving, investment management and finance and administration.

Our three intermediaries, PBS, CG and CTW, each operate under a delegated risk authority. Each intermediary both writes the business and handles the claims on our behalf, reporting both premiums and claims to Irwell on a monthly basis. Therefore, an important function of executive management is the control and regular monitoring of these outsourced functions.

Investment management during the reporting year was provided by Lombard Odier, operating under an investment strategy approved by the board. Executive management is responsible for the regular monitoring of investment performance and adherence to the agreed strategy.

The Company uses contractors or consultants as appropriate to provide investment management services, actuarial services, internal audit services and IT management, bookkeeping services and compliance checking services.

Key functions

Irwell has established the four key functions required by the Solvency II directive. These are:

- Risk management
- Compliance
- Actuarial
- Internal Audit

In addition, the following functions have been classed as key to Irwell's operations:

- Outsourcing
- Investment management

These functions are responsible for providing oversight of the relevant area and assurance to the Board on the operation of the Company's risk management framework. All functions are overseen by one or more executive directors, or the ARC, thus ensuing they have the appropriate authority to perform their roles.

Risk management

The key function holder is the Chief Risk Officer (CRO). The ARC provides oversight as to the reasonableness, proportionality and effectiveness of the Company's prudential risk management, regulatory compliance and internal control systems.

The Irwell Board has ultimate responsibility for risk management and the function therefore has the required authority to fulfil its role.

Compliance

The CRO performs the function of Compliance Officer and is responsible for both day to day compliance monitoring and regular reporting to the Board on compliance related matters. The compliance functions of the outsourced intermediaries are subject to periodic review by internal audit.

The ARC considers and approves the compliance monitoring programme for the forthcoming year annually.

The compliance function formally reports to the ARC on a quarterly basis and to the Board on a six monthly basis.

The Compliance Officer is assisted in the performance of the role by an external contractor.

Actuarial

The Actuarial Function has specific duties and responsibilities under Solvency II. Irwell outsources Actuarial Function holder support to Barnett Waddingham LLP, with oversight from the Actuarial Function Holder. The outsourcing arrangement ensures that the Actuarial Function is operationally independent.

The Actuarial Function Report is prepared and presented to the Board at least annually.

Internal audit

Irwell's Internal Audit function is overseen by the ARC. Internal Audit is responsible for evaluating the approach to risk management and governance, with particular emphasis on the internal control system.

Irwell outsources the Internal Audit function to Mazars LLP, who have the skills, knowledge and expertise to provide the services and are entirely independent from operational aspects of the business.

The Internal Audit function is authorised to review all areas of the Company and its business and it therefore entitled to have full and unrestricted access to all information, records, property, personnel and activities. Board members have a duty to make all requested information available promptly and to assist with any enquiries.

The ARC approves the internal audit plan, taking advice on known and potential risks. In addition the ARC receives and reviews the reports produced by Internal Audit.

Outsourcing

Irwell operates a business model under which most services provided to the Company are outsourced. Therefore, an important function of executive management is the control and regular monitoring of these outsourced functions and the three executive directors are collectively responsible for this oversight. In support of this activity, the Company has a comprehensive, documented outsourcing policy, covering scoping, selection, governance, regulatory compliance, performance management and data and information requirements. All intermediaries are regulated by the FCA in their own right and provide Irwell with regular compliance reports.

The CEO has overall ownership of the outsourcing policy, which is reviewed and approved by the ARC at least once a year. Ultimate responsibility for the outsourcing of key functions and activities lies with the Irwell Board.

Investment management

The investment is outsourced to independent investment managers who operate under an investment strategy approved by the board. Executive management is responsible for the regular monitoring of investment performance and adherence to the agreed strategy and provides a quarterly report to the Board.

Material changes

There have been no material changes to the system of governance over the reporting period.

Remuneration policy

The Company's only employees are the three executive directors. Their remuneration is approved by the Board. The Company does not operate a performance based remuneration scheme. Its remuneration practices are therefore considered to be consistent with sound and effective risk management and do not encourage excessive risk taking. The remuneration structure for one non-executive director consists of an annual retainer fee. The other non-executive directors receive no remuneration. The Company does not operate a pension scheme; the Company makes annual contributions into the personal pension arrangements of one director.

Related party transactions

F. Done and P. E. Done are also directors of and own a controlling interest in PBSG which is the parent of PBS, CG and CTW, companies of which P. E. Done is also a director. Irwell only underwrites business for the clients of PBSG and its subsidiary companies. Therefore all premiums received and all claim payments are made via PBSG and its subsidiary companies. During the year ended 31 March 2018, PBSG's subsidiary companies performed part of the administration services on behalf of the Company. These companies received a fee of £10,000 (2017: £10,000) and received commission paid by the Company totalling £8,362,000 (2017: £8,836,000) of which £3,544,000 (2017: £4,169,000) was owed at the year-end. They also received fees for claims handling expenses of £1,423,000 (2017: £1,702,000).

During year ended 31 March 2010, a loan of £3 million was made to Goldentree Financial Services PLC, a company of which F. Done is both the joint controlling party and a director and P. E. Done is a shareholder. This loan was fully provided against at 31 March 2010. On the 23 May 2018, the loan was repaid in full, consequently, the value of the investment has been reinstated at its full value on the balance sheet as at 31 March 2018.

B.2 Fit and proper requirements

So as to enable sound and prudent management of the Company, a policy is in place to ensure that persons appointed to manage the Company's business activities are fit and proper. As part of that policy, an assessment is made prior to appointment to a role to ensure that the individual has both the appropriate knowledge and skills through their professional qualifications and/or experience, and is of good repute and integrity.

This assessment takes place prior to appointment to a role and is reviewed periodically thereafter by the Board.

Executive management of the Company collectively possess competence, experience and knowledge in at least the following areas:

- Insurance and financial markets
- Business strategy
- Systems of governance
- Financial and actuarial analysis
- Risk management
- Regulatory requirements

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

Risk Management

Irwell has in place a Corporate Governance Framework which incorporates the Company's risk management policy. This framework sets out the principles for managing risk within Irwell and describes the risk management roles and responsibilities of individuals, the ARC and the Board. The Corporate Governance Framework is reviewed and updated as necessary on a regular basis in the light of changes to the Company's risk profile, external risk factors and developments in best practice.

Irwell has implemented a three lines of defence model for its risk management, as follows:

First line of defence

The first line of defence owns and manages risk on a day to day basis. For Irwell, this consists of the three executive directors together with its intermediaries, to whom underwriting and claims handling is outsourced, and the outsourced actuarial function. All share responsibility for risk management at the operational level.

Second line of defence

The second line of defence provides the oversight and advice necessary to support the first line of defence in identifying, managing and monitoring risk. For Irwell, this comprises the Risk Management and Compliance functions. Further information on the Compliance Function is given in B4 below.

Third line of defence

The third line of defence provides independent assurance that risk management and the internal control system are working as designed. For Irwell, this comprises the Internal Audit function. Further information on the Internal Audit Function is given in B5 below.

The CRO is responsible for the day to day operation of Irwell's risk management processes and the production of management information that allows for timely and relevant decision making on risk related matters. The CRO is also responsible for the on-going maintenance of the risk register. The risk register identifies all material risks the Company faces in relation to the implementation of its strategic objectives and details of mitigating actions in place for all risks identified.

The intermediaries supply management information to an agreed timetable to support the process, including:

- Underwriting and claims data;
- TCF MI including insurance complaints, and
- Operational compliance monitoring.

The ARC has oversight of the Company's risk process and is responsible for advising the Board on risk issues, including the Company's risk appetite and risk strategy. In performing this function, the ARC considers risk reports and other management information The ARC also undertakes regular reviews of the risk register, and reviews it formally at least annually, and makes recommendations regarding additions/modifications to the register as appropriate. The Board has ultimate responsibility for risk related issues.

ORSA process

The three executive directors are jointly responsible for all aspects of the process for producing the Company's ORSA. The ORSA is reviewed and signed off by the Board. The ORSA sets out details of the Company's current business strategy and risk appetite and details of all material risks that Irwell faces in pursuit of its business objectives.

Irwell uses the standard formula to calculate its SCR. The ORSA includes consideration of whether the SCR calculated in this way is appropriate given our actual risk profile. The ORSA also includes consideration of whether there are any current or emerging risks in Irwell which are not covered explicitly by the standard formula.

The Company operates on a three year business planning timeframe. The ORSA therefore includes consideration of our business plans over that period, and, flowing from that, any anticipated changes in our risk appetite and risk profile. This includes consideration of any potential changes to current risks and the impact of any emerging risks.

The Irwell policy is for the ORSA to be produced annually. An updated ORSA would be prepared at an intermediate stage in the event that there is any significant change to our risk profile.

ORSA inputs

The key inputs to the ORSA process are:

- The Irwell risk management process
- The business planning process
- The Solvency II balance sheet and SCR calculation

ORSA Activities

The following activities are performed annually in support of the production of the Company's ORSA:

- Projection of Solvency II technical provisions, Solvency II balance sheet and calculation of the SCR (using the standard formula) over the three year planning period;
- Performance of stress and scenario testing, encompassing all material risks that are covered by the standard formula. The effects of the selected stresses and scenarios are quantified using management's own expert knowledge of the business;
- Consideration of whether there are any further risks not covered by the standard formula that are capable of being measured quantitatively, and
- Calculation of an ORSA capital requirement based on the outcome of our stress and scenario testing.

ORSA Outcomes

The outcome of the ORSA process is an ORSA report that covers the following areas:

- A description of the Company's current business strategy and appetite for risk in pursuing that strategy;
- An assessment of all material risks facing the Company and the mitigating actions in place;
- An assessment of any emerging risks impacting the Company's business strategy;
- The Company's own view of its current capital and solvency requirements based on management's expert understanding of the business and appropriate stress and scenario testing; and
- The Company's forward looking view of its capital and solvency position over a three year planning period.

The ORSA report is used by the Board for the following purposes:

- Confirmation that all material risks facing the business have been identified together with appropriate mitigating actions;
- Concurrence that the risks detailed are within the agreed risk tolerances;
- Concurrence with the view expressed regarding the current and forward looking capital assessments;
- Confirmation that the level of capital held by the Company is appropriate; and
- Concurrence that the Company will be able to withstand any reasonably foreseeable shocks over the next three years.

B.4 Internal control system

Internal controls

Irwell's internal control system is designed to ensure the effectiveness and efficiency of its operations, to enable the Company to manage its risks and to ensure compliance with its legal and regulatory obligations. The activities comprising the internal control system are detailed within the Company's Governance Framework referred to in B3 above. These include controls which are operated within the key functions of the business, reviews and reporting performed as part of the risk management and compliance functions and the independent assurance provided by Internal Audit. The Corporate Governance Framework includes details of roles, responsibilities and reporting procedures for each material risk type. Controls in place to mitigate these risks are detailed in the risk register and summarised in the Corporate Governance Framework. A log is maintained to monitor risk events when they occur, recording the cause of the event, the impact and any remedial actions that have been taken. The CRO is responsible for escalating any issues to the ARC.

The internal control system is subject to review by the internal audit function on a cyclical basis and the results are reviewed by the ARC.

Irwell's Corporate Governance Framework recognises that management of the Company is in the hands of three executive directors and that there are no other employees. Four-eye review processes have therefore been established in order to mitigate the lack of segregation of duties at the operational level. Furthermore, the Company's business model involves outsourcing the key processes of underwriting and claims handling. The Company's internal control system therefore emphasises the establishment of controls over, and regular monitoring of, these outsourced functions, particularly in respect of the reporting to the Company of premium and claims data.

Compliance

Irwell's Compliance Function is responsible for ensuring compliance with the Company's legal and regulatory obligations. In particular, its responsibilities comprise:

- Identifying and evaluating compliance risks;
- The establishment and monitoring of procedures and controls over identified compliance risks;
- Ensuring that the Company and its intermediaries comply with all relevant rules, regulations and legislation, and
- Reporting to the Board on all compliance matters.

The CRO also performs the function of Compliance Officer and is responsible for both day to day compliance monitoring and regular reporting to the Board on compliance related matters. The compliance functions of the outsourced intermediaries are subject to periodic review by internal audit.

B.5 Internal audit function

Internal Audit must be objective, impartial and independent and not subject to influence from the Board or management. Accordingly, and taking account of the Company's small size, Irwell has appointed an external provider to perform the internal audit.

An annual internal audit plan is proposed by the external provider and approved by the ARC. This plan is developed to ensure that, over the audit universe, sufficient evidence will be obtained to evaluate the effectiveness of the risk management and the control processes across the business.

Each internal audit plan encompasses the following areas:

- Suitability of the internal control system and its efficiency
- Failures/shortcomings of any internal control and potential improvements
- Compliance with internal strategies and policies
- Compliance with internal procedures and processes
- Actions taken to remedy past inadequacies
- Reported deficiencies, failings and irregularities
- Material functions/activities carried out by outsourced service providers

After each audit, appropriate reports are produced and submitted to the ARC for review.

In addition, an annual report is prepared for the Board highlighting significant issues/control weaknesses identified during the year and any agreed remedial action to be taken. This report also comments on matters identified previously and their resolution or otherwise.

B.6 *Actuarial function*

The role of the Actuarial function is to provide the Board with an independent perspective on key insurance aspects of the Company's operations. This ensures that the Board is fully informed of matters that may impact the business.

Irwell does not employ an in-house actuarial resource and therefore utilises the services of its external actuary in filling the actuarial function.

The Chairman is responsible for the overseeing of the outsourced actuarial function, including agreeing the scope of work and reviewing and challenging the results.

The Actuarial function is responsible for the following areas:

- Coordinating the calculation of the technical provisions and reporting thereon;
- Assessing whether the methodologies and assumptions used in the calculation of the technical provisions are appropriate;
- Assessing data quality;
- Providing an underwriting policy opinion;
- Providing a reinsurance arrangements opinion, and
- Production of an Annual Actuarial Function Report.

The reporting on the technical provisions and the annual actuarial function report are subject to review and approval by the Board.

B.7 *Outsourcing*

Irwell is a small insurance company run by a Board of directors and the ARC and operates a model whereby most of the services required are outsourced. While this creates additional risk, it enables the Company to operate in the most effective manner.

The Irwell Board has identified the following to be key outsourced functions for the business, together with the relevant responsibilities:

- Underwriting and Claims Handling
- Internal Audit
- Actuarial
- Investment Management

The Board considers that executive management has collectively the appropriate level of knowledge, skills and experience to oversee the provision of these services.

Irwell has a separate outsourcing policy which sets out the processes and procedures to be followed when deciding to outsource a particular activity. This includes details on risk management and the contractual arrangements.

The following were the material outsourced service providers during the reporting period:

Service provider	Service provided	Jurisdiction
Peninsula Business Services Limited	Underwriting and claims handling	UK
Croner Taxwise Limited	Underwriting and claims handling	UK
Croner Group Limited	Underwriting and claims handling	UK
Mazars LLP	Internal audit services	UK
Barnett Waddingham LLP	Actuarial services	UK
Lombard Odier & Cie (Gibraltar) Limited	Investment management services	Gibraltar

B.8 Any other information

The Company is satisfied that its system of governance, as outlined in B1-7 above, is appropriate and proportionate to the nature, scale and complexity of the Company's business. This is something that is continuously reviewed. Both internal and external audits may provide recommendations for improvement which are considered and implemented if it is deemed appropriate to do so.

Summary of risk profile

Irwell's business model has remained constant over the reporting year as a specialist underwriter of legal protection and accountants' tax fee protection risks. We currently have no plans to broaden our product range or to seek out intermediaries outside PBSG. Irwell takes a prudent approach to risk management, focusing on its niche area of underwriting expertise, writing short-tail risks with low catastrophe exposure. In support of this strategy, the Board pursues a conservative investment policy. The following sections provide a summary of each of Irwell's material risks, including a description of the risk, the measures used to assess the risk, risk concentrations and the risk mitigation techniques used by Irwell to manage the risk.

C.1 Underwriting risk

Underwriting risk is assessed between the following risk categories:

- Premium risk
- Reserving risk
- Catastrophe risk
- Lapse risk
- Concentration risk

Appropriate underwriting and risk selection/pricing directly impacts on claims performance via claims frequency and loss ratios and in the same manner claims development and performance drives underwriting decisions. Appropriate and adequate reserving is a key factor in managing business performance. The Company does not use any special purpose vehicles. Underwriting risk is the most significant risk relating to Irwell's business and accounts for 82% (2017 83%) of the basic undiversified SCR at 31 March 2018.

Measures used to assess risk

Irwell underwrites legal expenses and liability insurance in the UK and the Republic of Ireland. The business is sourced via three authorised intermediaries who act under a delegated risk transfer agreement for underwriting and a claims handling contract for claims. Underwriting risks are assessed as follows:

- Levels of business written, the sources of that business and detailed claims information are recorded using management information received from the intermediaries on a monthly basis. This information is used to monitor the performance of the business and the level of reserves required.
- The adequacy of premium income to cover expected claims and expenses is the responsibility of the Board based on recommendations from the Underwriting and Claims Director and is achieved by following the Company's agreed pricing mechanism.
- The Company performs regular reviews of the intermediaries' underwriting records and claims data, including adherence to premium limits, underwriting guidelines and claims handling authorities. The outcomes of these reviews are submitted to the ARC, together with overall MI on results and performance. This information is used in the management of underwriting risk.
- The calculation of the technical provisions is performed by the external actuaries basing their methodology on market best practice, and reviewed and signed off by the ARC. This review

process includes consideration of the assumptions used, the suitability of the techniques used and the reasonableness of the results. Economic trends, developments in government policy and legal changes are all closely monitored.

Responsibility for assessing and monitoring insurance risk rests with the ARC, which reports directly to the Board.

Premium risk

The key risk relating to business written is that intermediaries fail to follow agreed underwriting guidelines.

This risk is mitigated by:

- All intermediaries are related parties;
- We regularly review our policy wordings and update them as necessary;
- Any variation to the agreed rates must be approved by the Underwriting and Claims Director;
- Irwell has the ability to change premium and/or commission rates at short notice in the event of a deterioration in loss ratios;
- The Company performs regular reviews of the intermediaries underwriting records to ensure that they adhere to the terms of the delegated underwriting authority;
- The intermediaries are subject to regular audit from the internal auditor.

Reserving Risk

The Company is also exposed to the risk that the actual payment of claims, or the timing thereof, differs from expectations with the result that that its premium and claims reserves are not sufficient to meet its insurance liabilities. This is influenced by the both the frequency and the severity of claims.

This risk is mitigated by:

- All contracts are written on a claims-made basis;
- Regular reviews of our intermediaries are performed to ensure the quality of the claims data received and to ensure adherence to delegated claims handling authorities;
- External actuaries have been employed to perform the actuarial function for Irwell, including reviewing and assessing the Company's technical provisions.

Catastrophe risk and reinsurance risk

The business written by Irwell consists of employment business, covering awards and fees relating to employment tribunal cases and legal fees relating to breaches of health and safety legislation, and accountants' tax fee protection business, covering professional fees relating to HMRC enquiries. All business written is highly diversified and subject to relatively low policy limits. The directors therefore consider that the Company is not exposed to accumulation of losses due to catastrophic events. As a result, we do not purchase catastrophe reinsurance. This is a decision that is regularly reviewed and confirmed.

Lapse risk

The Company's lapse risk is not significant.

Concentration Risk

Underwriting concentration risk is limited due to fact that the risks that the Company underwrites are diversified across a large portfolio of individually small insurance contracts. The Company sources business through three intermediaries, who are members of the same group, and as a result of this the Company has a concentration of business around a single key business partner. This risk has been identified and recorded in the Company's risk register. This concentration risk is mitigated by detailed and ongoing monitoring of the intermediaries. A further mitigation of this risk is the financial strength of PBSG which is monitored by Irwell on a continuous basis.

Risk sensitivity relating to underwriting risk

The Company has performed a range of stress tests relating to increases in frequency and severity assumptions and by selecting more pessimistic development patterns from the chain ladder analysis performed. We have also performed reverse stress testing. We have concluded that the standard formula gives a higher capital charge for non-life underwriting risk than is indicated by our own analysis. This is because the standard formula does not fully take account of some of the specific characteristics of our business. Because our employers' policy covers awards at employment tribunals, a proportion of our business is categorised as general liability business. The factors applied to this business in the standard formula do not adequately take into account the low policy limits we have in place, nor does it account for the caps placed on awards by employment tribunals. As discussed above, the Company's catastrophe exposure is low due to the policy limits we have in place.

Material Change

There has been no material change in the year to the underwriting risks that the Company is exposed to or the measures used to assess those risks.

C.2 Market risk

Market risk is the risk of losses on the Company's investments due to fluctuations in market values. Market risk is subdivided into interest rate risk, equity risk, property risk, spread risk, concentration risk and currency risk. The Company's investments comprise cash, government bonds and investment grade corporate bonds, as well as exchange traded derivatives used for hedging purposes only. All investments are denominated in sterling. Due to the nature of the Company's investment portfolio, only interest rate risk, spread risk and concentration risk apply to Irwell.

Measures used to assess risk

Irwell has a cautious investment strategy with strict requirements laid down regarding investment type, grade and counterparty exposure limits. This is codified in an investment policy document which is reviewed and approved by the Board on at least an annual basis. Investment management is outsourced to LO, who are required to operate within the bounds of the Company's investment policy. LO provides the Company with a monthly investment report providing a monthly performance summary. This report is reviewed by executive management. In addition, LO provides the Company with a quarterly detailed performance summary and narrative investment commentary. These reports are reviewed at Irwell's quarterly board meetings.

Market risk is also identified, assessed and monitored through the Company's risk register. The risk register is the responsibility of the ARC and is reviewed and updated as necessary on at least a six monthly basis.

Interest rate risk

Interest rate risk is the risk of investment losses due to changes in interest rates. We have a short-dated investment portfolio with an average duration at 31 March 2018 of 2.25 (2017 1.49) years. This feature of our portfolio mitigates the interest rate risk. In addition, derivatives are used to manage the duration of the portfolio. At 31 March 2018, interest rate risk accounted for 5% (2017 1%) of our basic undiversified SCR.

Spread risk

Spread risk is the risk that the value of investments will decline due to changes in credit spreads. Credit spreads are narrower for higher rated securities. The risk is therefore mitigated by Irwell specifying in its investment policy the minimum ratings that must apply to different categories of securities both in terms of individual issuers and in terms of the portfolio as a whole. However, the company's investment policy was revised in the current financial year to allow a proportion of our portfolio to comprise BBB rated securities, as a result, our spread risk has increased. At 31 March 2018, spread risk accounted for 12% (2017 2%) of our basic undiversified SCR.

Concentration risk

Concentration risk is the risk of investment losses that may occur due to having a large portion of the investment portfolio with the same counterparty. This risk is mitigated by Irwell ensuring appropriate diversification, specifying in its investment policy maximum limits for any one issuer. As a result, concentration risk for Irwell is minimal. At 31 March 2018, concentration risk accounted for 0.3% (2017 0.4%) of our basic undiversified SCR.

Concentration risk relating to cash at bank is considered under credit risk in C3 below.

Prudent person principle

Irwell's investment strategy is focused on capital preservation and ensuring sufficient liquidity to meet claims and expenses on an ongoing basis. As a result we have a low risk, well diversified portfolio of investment assets which is fully compliant with the prudent person principle. In particular:

- The average short duration of the investments matches the short-tail nature of the insurance business written by the Company. This ensures that the assets held to cover the technical provisions are invested in a manner appropriate to the nature and duration of the insurance liabilities and in the best interest of all policyholders.
- Investment management is outsourced to a leading asset management firm.
- The asset managers operate under a strict set of investment guidelines specifying limits as to duration, security and diversification.
- The investment guidelines also ensure that holdings are only acquired in investments where it is confirmed that data is available properly to identify, measure, monitor, manage, control

and report on those assets and perform the necessary solvency capital calculations in accordance with the Standard Formula.

- Although Irwell writes a small amount of business in the Republic of Ireland, the premiums are paid to the Company in sterling. Claims are similarly paid in sterling. Therefore currency of the asset and liability base is appropriately matched being fully in sterling.
- Exchange traded derivatives are approved for hedging purposes only, where such instruments can be shown to improve the quality, profitability, liquidity or security of the portfolio.

Risk sensitivity relating to market risk

Irwell's investment strategy described above results in total market risk comprising approximately 14% (2017 2%) of the Company's SCR at 31 March 2018.

Material change

There has been no material change in the year to the market risks that the Company is exposed to or the measures used to assess those risks, other the change to our investment policy as mentioned in spread risk above.

C.3 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Irwell is exposed to credit risk in relation to loans to related parties (type 2 counterparties) and in respect of deposits with banks (type 1 counterparties). Investment credit risk is dealt with in C2 (Market Risk) above. The Company does not purchase reinsurance and therefore credit risk relating to amounts due from reinsurers does not apply.

Measures used to assess risk

Credit risks are identified, assessed and monitored through the Company's risk register. These risks are discussed by the ARC on at least a six-monthly basis and their potential impact is assessed. In addition, the intermediaries are subject to periodic internal audit reviews.

Amounts due from intermediaries

All of the premium debtors on the Irwell balance sheet will ultimately be collected by three intermediaries, all of which are connected parties, being subsidiaries of PBSG. This increases the counterparty credit risk because of the concentration on one group of companies. This risk is mitigated as follows:

- Irwell has in place credit terms with its intermediaries and their adherence to those terms is carefully monitored.
- Review of financial information of the intermediaries, including financial statements and 3 year business plans.
- The majority of premiums are paid in instalments and therefore, at any balance sheet date, only one month's premiums is in the hands of the intermediaries.
- A further mitigation of this risk is the financial strength of PBSG which is monitored by Irwell on a continuous basis.

We have granted a credit period before premiums received by the intermediaries are payable to Irwell and adherence to these credit terms is carefully monitored and controlled. Therefore, at any valuation date, none of our premium debtors are past due and consequently are included in technical provisions for solvency purposes and no capital charge is applied. This represents a change to our interpretation of the requirements since the previous year end, where type 2 credit risk relating to amounts due from intermediaries accounted for 13% of our basic undiversified SCR.

Goldentree loan

As explained A3 above, a loan to Goldentree Financial Services PLC, which had previously been fully provided against, was repaid to the Company on 23 May 2018. This loan therefore is shown in our balance sheet at 31 March 2018 at its full value. As the loan is to a related party, it falls to be considered under counterparty credit risk in the calculation of the SCR.

Deposits with banks

The Irwell investment policy requires that cash deposits are held at banks with a minimum A rating.

Risk sensitivity to credit risk

At 31 March 2018, credit risk relating to deposits with banks (type 1 counterparty risk) accounted for 2% (2017 3%) of our basic undiversified SCR and credit risk relating to the Goldentree loan (type 2 counterparty risk) accounted for 3% of our basic undiversified SCR.

Material change

There has been no material change in the year to the credit risks that the Company is exposed to or the measures used to assess those risks other than in relation to amounts due to intermediaries and the Goldentree loan as noted above.

C.4 Liquidity risk

Liquidity risk relates to the risk that there may be insufficient financial resources to meet the Company's financial obligations as and when they fall due.

Measures used to assess risk

Liquidity risk is assessed and monitored on a continuous basis so as to ensure that funds are maintained at a level sufficient for ongoing requirements. Investments and cash are reviewed by the Board at its quarterly meetings.

Liquidity risk is also identified, assessed and monitored through the Company's risk register.

Liquidity risk exposure

The ongoing cashflow requirements of Irwell are currently more than covered by the premium receipts each month from intermediaries. The main cash movement on a month to month basis is through one of the big four UK banks. Bank deposits are also made on our behalf by LO in accordance with our investment policy. Irwell's investment portfolio is managed in such a way as to ensure that liquid assets are always readily available to meet the Company's liabilities as they fall due.

Expected profit in future premiums

The expected profit included in future premiums is £1,017k (2017 £1,571k), calculated in accordance with Article 260(2).

Prudent person principle

The Company's investment policy emphasises the liquidity requirements of the business and, in particular, the nature and timing of its insurance liabilities.

Risk sensitivity relating to liquidity risk

Liquidity risk is not a material risk for Irwell. Therefore, no stress testing has been performed.

Material change

There has been no material change in the year to the liquidity risks that the Company is exposed to or the measures used to assess those risks.

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The key operational risks are:

- Outsourcing
- People – dependence on three executive directors
- Systems – reliance on intermediaries IT systems
- Regulatory
- Reputation

Measures used to assess risk

Operational risk is assessed and monitored through the Company's risk register. This sets out the key risks to which the Company is exposed and the controls in place to mitigate each risk.

Outsourcing

The critical functions of underwriting and claims handling are delegated to the Company's three intermediaries.

Irwell remains ultimately responsible for these activities. This responsibility is taken at board level and the associated risk of non-compliance or poor compliance with Irwell's requirements is managed as follows:

- Irwell has a written outsourcing policy, agreed at board level;
- Irwell has written delegated underwriting and claims handling agreements in place with its intermediaries;
- Irwell proactively manages performance of the intermediaries in respect of the delegated authorities; and
- Each intermediary is regulated by the FCA in its own right and Irwell monitors those companies' interactions with the regulator.

People – dependence on three executive directors

With the critical functions of underwriting and claims handling being outsourced, the Company is reliant on its three executive directors for the management of the Company and its efficient functioning. Service contracts have been issued with sufficiently long periods of notice to ensure a smooth transition if personnel were to change.

Systems – reliance on intermediaries' IT systems

There is IT systems risk because of reliance on PBSG IT systems. This risk is mitigated by the historical reliability of the systems, the programme of continual improvement and a robust off site back up and disaster recovery process that is in place. A further mitigation is that the company is actively investigating the establishment of an enhanced in-house underwriting database in order to provide a greater measure of control over the company's underwriting data.

Regulatory

This relates to the risk of failing to comply with current regulatory requirements or to identify, understand and apply changes to law or regulations.

This risk is mitigated by the Company having a strong system of governance, including an effective risk management system and effective internal controls. In addition, as mentioned above, Irwell proactively manages the activities of the outsourced underwriting and claims handling functions to ensure regulatory compliance.

Reputation

This is the risk that a regulatory breach or poor customer service could give the Company a poor reputation. Mitigation of regulatory risk is dealt with in the previous paragraph. In light of the delegation to our intermediaries of the underwriting and claims handling functions, Irwell has a heavy dependence on its intermediaries for maintaining our reputation with policyholders. Our proactive monitoring of the performance of our intermediaries includes the regular review of our reputational risk, including the monitoring of customer service in line with the FCA's principles for treating customers fairly.

Complaints management is also a key area in maintaining our reputation. Whilst the day to day management of complaints is dealt with by the intermediaries, complaints are referred promptly to Irwell as it our responsibility to ensure they are investigated and appropriately brought to a conclusion. We have a very low level of complaints.

Risk sensitivity relating to operational risk

Operational risk represents 8% (2017 6%) of the Company's SCR at 31 March 2018.

Material change

There has been no material change in the year to the operational risks that the Company is exposed to or the measures used to assess those risks.

C.6 Other material risks

All material risks are dealt with in C1-5 above.

C.7 Any other information

There is no material information regarding Irwell's risk profile other than as detailed in C1-6 above.

D.1 Assets

D1.1 Assets at 31 March 2018:

	Financial statements valuation	Reanalysis for solvency	Solvency valuation adjustments	Solvency valuation
	£'000	£'000	£'000	£'000
Government and corporate bonds	28,621	379		29,000
Futures contract	3,930			3,930
Loan	3,000			3,000
Amounts due from intermediaries	10.121	(10,121)		-
Deferred tax asset	-		247	247
Cash at bank	4,488			4,488
Deferred acquisition costs	4,375		(4,375)	-
Accrued interest	379	(379)		-
Total assets	54,914	(14,121)	(4,128)	40,665

D1.1a Assets at 31 March 2017:

	Financial statements valuation	Reanalysis for solvency	Solvency valuation adjustments	Solvency valuation
	£'000	£'000	£'000	£'000
Government and corporate bonds	26,096	161		26,257
Amounts due from intermediaries	10,293	(10,293)		-
Deferred tax asset	-		150	150
Cash at bank	4,683			4,683
Taxation	89			89
Deferred acquisition costs	4,149		(4,149)	-
Accrued interest	161	(161)		-
Total assets	45,471	(10,293)	(3,999)	31,179

D1.2 Solvency valuation

- Government and corporate bonds are valued at fair value, being bid price at the valuation dateplus any accrued interest. They are all level 1 investments, valued by reference to quoted prices on an active market.

- The Company uses futures contracts for the purpose of managing its portfolio duration. These contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account.
- In 2010, full provision was made against a loan of £3m to Goldentree Financial Services PLC. On 23 May 2018, this loan was repaid in full. As a result, the investment has been reinstated as an asset at 31 March 2018 and valued at the undiscounted amount of the repayment which is equal to fair value.
- Amounts due from intermediaries are all due within one year. They are therefore valued at the undiscounted amount of the amount expected to be received. For solvency purposes, they are netted off technical provisions.
- The deferred tax asset (DTA) relates to timing differences between the tax values of assets and liabilities and their values calculated on in accordance with Solvency II principles. The DTA is valued on the basis of the amount expected to be recovered against future taxable profits.
- Cash at bank is valued at its carrying value at the valuation date plus any accrued interest.

D1.3 Differences between solvency valuation and valuation in financial statements

The valuation of assets for solvency purposes is consistent with the valuation in the financial statements, with the following exceptions:

- In the financial statements, accrued interest is shown within 'prepayments and accrued income', whereas in the Solvency II balance sheet it included within 'Government and corporate bonds' and 'Cash at bank' as applicable.
- As stated in D1.2 above, amounts due from intermediaries are netted off technical provisions in the Solvency II balance sheet.
- Deferred acquisition costs (DAC) comprise acquisition costs that are attributable to premiums unearned at 31 March 2018. DAC is not recognised as an asset for solvency purposes.
- The DTA comprises a solvency adjustment and therefore is not included in the financial statements.

D.2 Technical Provisions

D2.1 Technical provisions at 31 March 2018:

Line of business	Claims provision	Premium provision	Risk margin	Total technical provisions
	£'000	£'000	£'000	£'000
Third party liability	2,602	(176)	237	2,663
Legal expenses	11,644	(497)	1,002	12,149
Total	**14,246**	**(673)**	**1,239**	**14,812**

D2.1a Technical provisions at 31 March 2017:

Line of business	Claims provision	Premium provision	Risk margin	Total technical provisions
	£'000	**£'000**	**£'000**	**£'000**
Third party liability	1,066	(364)	64	766
Legal expenses	11,229	(1,116)	1,316	11,429
Total	**12,295**	**(1,480)**	**1,380**	**12,195**

D2.2 Solvency valuation

Technical provisions comprise claims provisions, premium provisions and a risk margin.

Claims provision losses for PBS and CTW for all reporting years prior to the most recent year are calculated using chain ladder projections. The chain ladder method is a standard actuarial technique based on historical claims experience, and is considered a proportionate and appropriate method to use. Claims provisions for the most recent year for PBS and CTW have been estimated using an average cost per claim methodology. This is regarded as an appropriate method for open claims at the end of the first reporting year which are relatively new and should contain a representative mix of claims. The CG book is immature having only been underwritten by Irwell for 18 months as at 31 March 2018. Claims provisions for CG for both reporting years have been estimated using an average cost per claim methodology using the overriding assumption that the business will behave similarly to the comparable PBS business. For PBS and CG, the legal expenses and liability components of the claims have been considered separately. All CTW business is legal expenses business..

Premium provision losses are calculated using loss ratios (for CTW and CG), and frequency and average cost per claim (for PBS) assumptions, that have been derived from analysis of recent claims experience. In addition, the Company has some bound but not incepted ('BBNI') business that is included in the premium provision based on the same assumptions.

Both the claim and premium provisions are required to include all future expenses that will be incurred in servicing all existing business including any expected profit commission that will be generated by business that has not yet expired. No profit commission is expected to be generated from unexpired business at 31 March 2018. All future expenses have been derived from the forecasts that are produced as part of the Company's business planning process.

Both claim and premium provisions include an estimate for events not in data (ENID). The methodology used to set ENID loadings is based on a volatility benchmark and an industry standard "truncated distribution" method.

Amounts due from intermediaries, comprising premiums receivable in respect of existing policies, the related commission creditors, and creditors for claims payable, are included within technical provisions for solvency purposes. There are no valuation differences compared with the amounts for these items in the financial statements.

The technical provisions are presented on a discounted basis. Loss cash flows are projected using payment patterns from the reserving analysis. Cash flows are discounted at EIOPA's risk free spot rate.

The risk margin represents the amount that a third party would require in addition to the best estimates to assume the Company's insurance liabilities, calculated on a cost of capital basis. The risk margin is estimated by assuming that future solvency capital requirements ('SCR') will be proportional to best estimate undiscounted outstanding claims. The risk margin is broadly equal to 11% (2017 13%) of the SCR.

D2.3 Level of uncertainty associated with the value of technical provisions

The key areas of uncertainty relating to technical provisions are as follows:

- When projecting future claims, it is necessary to make some assumptions regarding the future claims development. There is always inherent uncertainty in estimating future liabilities since events and circumstances will not occur exactly as predicted.
- A significant amount of judgement is applied in establishing claims provisions, making their estimation inherently uncertain. Judgement is applied both in establishing case estimates and in interpreting historical data in the process of projecting ultimate claims. However, the level of uncertainty is moderated due to the fact that all business is written on a claims made basis. This means that no pure IBNR is required although it is necessary to consider the need for an IBNER.
- The determination of the premium provision is also inherently uncertain in that is based on actuarial analysis of historical data.
- ENID are by definition uncertain in that they relate to events not represented in the historical data. They are not significant in the context of the Company's total technical provisions.
- The risk margin is uncertain in that it is based on forecasts of future SCRs.

D2.4 Differences between solvency valuation and valuation in financial statements

The technical provisions per the financial statements (UK GAAP) and per the solvency valuation are reconciled as follows:

at 31 March 2018	**Third party liability**	**Legal expenses**	**Total**
	£'000	**£'000**	**£'000**
Claims provision			
UK GAAP claims provisions	2,461	10,241	12,702
Removal of prudence margin	(105)	(168)	(273)
Reallocation of claims creditors	136	991	1,127
ENID	38	314	352
Expenses adjustment	114	496	610
Discounting	(42)	(230)	(272)
Claims provision per solvency valuation	**2,602**	**11,644**	**14,246**
Premium provision			
UK GAAP UPR	1,943	8,693	10,636
Removal of DAC	(708)	(3,667)	(4,375)
Removal of profit on UPR	(185)	(420)	(605)
Bound but not incepted business	(10)	(61)	(71)
Reallocation of premium debtors	(1,893)	(8,228)	(10,121)
Reallocation of commission creditors	624	2,920	3,544
ENID	18	130	148
Expenses adjustment	53	225	278
Discounting	(18)	(89)	(107)
Premium provision per solvency valuation	**(176)**	**(497)**	**(673)**
Risk margin	**237**	**1,002**	**1,239**
Total technical provisions per solvency valuation	**2,663**	**12,149**	**14,812**

at 31 March 2017	**Third party liability**	**Legal expenses**	**Total**
	£'000	**£'000**	**£'000**
Claims provision			
UK GAAP claims provisions	1,201	10,053	11,254
Removal of prudence margin	(341)	(238)	(579)
Reallocation of claims creditors	84	881	965
ENID	13	238	251
Expenses adjustment	112	413	525
Discounting	(3)	(118)	(121)
Claims provision per solvency valuation	**1,066**	**11,229**	**12,295**
Premium provision			
UK GAAP UPR	1,267	9,653	10,920
Removal of DAC	(259)	(3,890)	(4,149)
Removal of profit on UPR	(412)	(1,085)	(1,497)
Bound but not incepted business	(16)	(118)	(134)
Reallocation of premium debtors	(1,319)	(8,974)	(10,293)
Reallocation of commission creditors	235	2,971	3,206
ENID	10	97	107

Expenses adjustment	131	288	419
Discounting	(1)	(58)	(59)
Premium provision per solvency valuation	**(364)**	**(1,116)**	**(1,480)**
Risk margin	**64**	**1,316**	**1,380**
Total technical provisions per solvency valuation	**766**	**11,429**	**12,195**

The key adjustments required to effect the transition from the UK GAAP technical provisions to the technical provisions for solvency purposes are as follows:

- The UK GAAP technical provisions include a margin for prudence. The claims provision for solvency represents a best estimate and therefore this margin is removed.
- Under UK GAAP, the unearned premium provision comprises the proportion of the premiums written in a year relating to the period of risk from 1st April to the subsequent dates of expiry of policies. In contrast, the premium provision for solvency purposes is calculated on a best estimate basis and therefore takes account of expected future profits.
- For solvency purposes, insurance debtors and creditors are netted off technical provisions.
- The solvency technical provisions include loadings for ENID and for future expenses in relation to exiting insurance business.
- Under UK the DAC is shown as an asset, whereas for Solvency purposes, they are netted off the UPR within the premium provision.
- The solvency technical provisions include values for business bound but not incepted at the balance sheet date.
- The UK GAAP technical provisions are not discounted whereas discounting is applied to the solvency technical provisions.
- The solvency technical provisions include a risk margin whereas no allowance is made for a risk margin when establishing the UK GAAP technical provisions.

D2.5 Other matters

The Company has not applied for approval for, and therefore has not applied the matching adjustment, the volatility adjustment, transitional risk-free interest term structure or the transitional deduction with respect to the calculation of Solvency II technical provisions.

The Company does not purchase reinsurance and there are therefore no reinsurance recoverables relating to its technical provisions.

There have been no material changes to the assumptions made in calculating the technical provisions compared to the previous period.

D.3 Other liabilities

D3.1 Other liabilities at 31 March 2018:

	Financial statements valuation	Reanalysis for solvency purposes	Solvency valuation adjustments	Solvency valuation
	£'000	£'000	£'000	£'000
Insurance creditors	4,671	(4,671)	-	-
Other creditors	5,294	-	-	5,294
Accruals	74	-	-	74
Total	**10,039**	(4,671)		**5,368**

D3.1a Other liabilities at 31 March 2017:

	Financial statements valuation	Reanalysis for solvency purposes	Solvency valuation adjustments	Solvency valuation
	£'000	£'000	£'000	£'000
Insurance creditors	4,579	(4,171)	458	866
Other creditors	732	-	-	732
Accruals	64	-	-	64
Total	**5,375**	**(4,171)**	**458**	**1,662**

D3.2 Solvency valuation

Insurance creditors comprise claims agreed for payment and acquisition costs and profit commission payable to intermediaries. All amounts are due within one year and are therefore valued at the undiscounted amount of the amount due to be paid. For solvency purposes, claim and acquisition cost creditors are netted off technical provisions. Where profit commission is payable at the balance sheet date, the creditor remains within insurance creditors in the solvency valuation. There was no profit commission payable in respect of the year ended 31 March 2018.
At 31 March 2018, other creditors include a liability in respect of a derivative financial liability, which is valued at fair value through profit and loss. A futures contract for the same value is included in assets above. Other creditors and accruals, including corporation tax payable, are all expected to be settled within one year and are therefore valued at the undiscounted amount of the amount expected to be paid.

D3.3 Differences between solvency valuation and valuation in financial statements

As stated in D2.2 above, claim and acquisition cost creditors are netted off technical provisions in the Solvency II balance sheet.

For solvency purposes, the profit commission creditor in 2017 is based on the profit for the year calculated on Solvency II principles. There is no profit commission payable in 2018.

D.4 Alternative methods for valuation

Not applicable.

D.5 Any other information

There is no other material information to disclose regarding the valuation of assets and liabilities for solvency purposes.

E.1 Own Funds

E1.1 Objectives, policies and processes for managing own funds

In order to ensure continuous compliance with the regulatory capital and solvency position, the objective of the Company is to maintain own funds so as to hold a buffer over the SCR of at least 50%. Irwell uses the standard formula to calculate its SCR. The board formally reviews the ratio of own funds over the SCR at each board meeting.

The Company operates on a three year business planning timeframe. As part of the normal business planning process, a three year forecast is produced at the commencement of each financial year. The forecast includes a projection of the of the solvency margin over that period. The business plan also forms a key input to the Company's ORSA.

E1.2 Own funds by tier

Own fund item	Tier	2018	2018	2017	2017
		£'000	%	£'000	%
Ordinary share capital	1	4,000	19.5	4,000	23.1
Reconciliation reserve	1	16,238	79.3	13,171	76.0
Sub-total Tier 1		**20,238**	**98.8**	**17,171**	**99.1**
Deferred tax asset	3	247	1.2	150	0.9
Total own funds		**20,485**	**100**	**17,321**	**100**

The reconciliation reserve comprises retained earnings together with solvency valuation adjustments.

The total own funds shown in the above table is eligible to cover the SCR.

Only tier 1 items totalling £20,238k (2017 £17,171k) are available to cover the MCR.

There are no restrictions regarding the availability of own funds.

E1.3 Reconciliation of equity in the financial statements and the excess of assets over liabilities as calculated for solvency purposes

There is no difference between the amount of ordinary share capital reported in the financial statements and the amount included in own funds.

The differences between equity in the financial statements and the excess of assets over liabilities as calculated for solvency purposes relate to adjustments made in order to value assets and liabilities at their solvency valuation. These adjustments are fully described in section D above and summarised in the table below:

	2018	**2017**
	£'000	**£'000**
Shareholders' equity in the UK GAAP financial statements	21,537	17,922
Adjust technical provisions to best estimate	(439)	907
Risk margin	(1,239)	(1,380)
Discounting of technical provisions	379	180
Deferred tax asset	247	150
Profit commission adjusted to Solvency II basis	-	(458)
Total own funds	**20,485**	**17,321**

E.1.4 other disclosures

No basic own funds are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

There are no ancillary own funds and no deductions made from the own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E2.1 SCR

At 31 March 2018, the SCR was £11,870 (2017 £11,044k).
The SCR was determined using the standard formula, and is summarised as follows:

	2018	**2017**
	£'000	**£'000**
Market risk	1,713	209
Counterparty default risk	701	1,800
Non-life underwriting risk	10,849	9,485
Diversification	(1,489)	(934)
Total Basic SCR	**11,774**	**10,560**
Operational risk	901	615
Deferred tax adjustment	(805)	(131)
Total SCR	**11,870**	**11,044**

The final amount of the SCR remains subject to supervisory assessment.

E2.2 MCR

At 31 March 2018, the MCR was £3,564k (2017 £3,332k).
Inputs used by the Company to calculate the MCR were as follows:

Line of business	Technical provisions		Written premiums in last 12 months	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Third-party liability	2,424	702	4,150	2,448
Legal expenses	11,149	10,113	22,892	20,270
Total	**13,573**	**10,815**	**27,042**	**22,718**

The MCR calculation is based on the technical provisions and the expected level of retained premiums over the previous 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. The MCR for Irwell is subject to an absolute floor of £3,251k as at 31 March 2018 (2017 £3,332k).

E2.3 Analysis of change

The Company's solvency capital requirement has increased over the year. The most significant increase is in relation to non-life underwriting risk, reflecting the growth in the Company's business as a result of this being the first full year of writing the business acquired from Croner Group. Market risk and counterparty risk have also increased. The rise in market risk reflects the restructuring of our investment portfolio during the year.

The capital loading in respect of type 2 counterparty risk counterparty risk is due the reinstatement of the loan from Goldentree, a related party. As explained in C3 above, all our premium debtors are dealt with in technical provisions and we do not consider that they attract a capital loading. This is a change in treatment compared with the previous year.

E2.4 Other

No simplifications are used to calculate the SCR.

No undertaking-specific parameters are used to calculate the SCR pursuant to Article 104(7) of Directive 2009/138/EC.

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

The Company does not hold equities and therefore the equity risk sub-module is not applicable.

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

The Company does not use any internal model.

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

The Company has complied throughout the year with the minimum capital requirement and the solvency capital requirement.

E.6 Any other information

None

Annex - Quantitative reporting templates

P.02.01.02	Balance Sheet
P.05.01.02.01	Premiums, claims and expenses by line of business
P.17.01.02	Non-Life Technical Provisions
P.19.01.21	Non-Life Insurance Claims Information
P.23.01.01	Own funds
P.25.01.21	Solvency Capital Requirement
P.28.01.01	Minimum Capital Requirement

Annex I
S.02.01.02
Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	247
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	32,930
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	29,000
Government Bonds	R0140	1,686
Corporate Bonds	R0150	27,314
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	3,930
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	3,000
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	3,000
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	4,488
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	40,665

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	R0510	14,812
Technical provisions – non-life (excluding health)	R0520	14,812
TP calculated as a whole	R0530	
Best Estimate	R0540	13,573
Risk margin	R0550	1,239
Technical provisions - health (similar to non-life)	R0560	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
TP calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	3,930
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	1,364
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	74
Total liabilities	R0900	20,180
Excess of assets over liabilities	R1000	20,486

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**		Total
		General liability insurance	Legal expenses insurance	
		C0080	**C0100**	**C0200**
Premiums written				
Gross - Direct Business	**R0110**	2,800	24,241	27,042
Gross - Proportional reinsurance accepted	**R0120**			
Gross - Non-proportional reinsurance accepted	**R0130**			
Reinsurers' share	**R0140**			
Net	**R0200**	2,800	24,241	27,042
Premiums earned				
Gross - Direct Business	**R0210**	2,757	24,569	27,326
Gross - Proportional reinsurance accepted	**R0220**			
Gross - Non-proportional reinsurance accepted	**R0230**			
Reinsurers' share	**R0240**			
Net	**R0300**	2,757	24,569	27,326
Claims incurred				
Gross - Direct Business	**R0310**	2,432	8,375	10,807
Gross - Proportional reinsurance accepted	**R0320**			
Gross - Non-proportional reinsurance accepted	**R0330**			
Reinsurers' share	**R0340**			
Net	**R0400**	2,432	8,375	10,807
Changes in other technical provisions				-
Gross - Direct Business	**R0410**			
Gross - Proportional reinsurance accepted	**R0420**			
Gross - Non- proportional reinsurance accepted	**R0430**			
Reinsurers'share	**R0440**			
Net	**R0500**			
Expenses incurred	**R0550**	1,151	12,287	13,439
Other expenses	**R1200**			
Total expenses	**R1300**			13,439

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance		Total Non-Life obligation
		General liability insurance	Legal expenses insurance	
		C0090	C0110	C0180
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050			
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	R0060	-176	-497	-674
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140			
Net Best Estimate of Premium Provisions	R0150	-176	-497	-674
Claims provisions				
Gross	R0160	2,601	11,646	14,246
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			
Net Best Estimate of Claims Provisions	R0250	2,601	11,646	14,246
Total Best estimate - gross	R0260	2,424	11,148	13,573
Total Best estimate - net	R0270	2,424	11,148	13,573
Risk margin	R0280	237	1,002	1,239
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0290			
Best estimate	R0300			
Risk margin	R0310			
Technical provisions - total				
Technical provisions - total	R0320	2,662	12,150	14,812
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330			
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	2,662	12,150	14,812

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	Accident year [AY]

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

	Year		1	2	3	4	5	6	7	8	9	10 & +
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											16
2009	**R0160**	1,912	4,112	825	436	-209	213	47			6	
2010	**R0170**	2,663	4,962	1,345	144	379	143	45	16	3		
2011	**R0180**	2,944	4,684	1,570	989	-654	216	242	289			
2012	**R0190**	3,293	5,124	2,024	251	-62	613	44				
2013	**R0200**	4,201	4,844	1,136	649	256	237					
2014	**R0210**	3,734	5,137	1,940	361	80						
2015	**R0220**	3,456	3,744	704	556							
2016	**R0230**	3,526	3,599	1,100								
2017	**R0240**	3,222	4,273									
2018	**R0250**	4,512										

		In Current year	Sum of years (cumulative)
		C0170	**C0180**
	R0100	16	16
	R0160	6	7,341
	R0170	3	9,701
	R0180	289	10,282
	R0190	44	11,287
	R0200	237	11,323
	R0210	80	11,252
	R0220	556	8,460
	R0230	1,100	8,225
	R0240	4,273	7,495
	R0250	4,512	4,512
Total	**R0260**	11,116	89,893

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	Accident year [AY]

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		Development year										
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
2009	R0160									92	51	
2010	R0170								45	21		
2011	R0180							226	164			
2012	R0190						623	254				
2013	R0200					753	326					
2014	R0210				1,747	788						
2015	R0220			1,703	674							
2016	R0230		3,318	1,410								
2017	R0240	3,875	3,430									
2018	R0250	7,374										

		Year end (discounted data)
		C0360
Prior	R0100	24
2009	R0160	50
2010	R0170	21
2011	R0180	160
2012	R0190	249
2013	R0200	320
2014	R0210	773
2015	R0220	661
2016	R0230	1,383
2017	R0240	3,366
2018	R0250	7,238
Total	R0260	14,246

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	4,000	4,000			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	16,239	16,239			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	247				247
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	20,486	20,239			247
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	4,000	4,000			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	16,239	16,239			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	247				247
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	20,486	20,239			247
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					

Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	20,486	20,239			247
Total available own funds to meet the MCR	R0510	20,239	20,239			
Total eligible own funds to meet the SCR	R0540	20,486	20,239			247
Total eligible own funds to meet the MCR	R0550	20,239	20,239			
SCR	R0580	11,870				
MCR	R0600	3,564				
Ratio of Eligible own funds to SCR	R0620	2				
Ratio of Eligible own funds to MCR	R0640	6				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	20,486
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	4,247
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	16,239
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	1,017
Total Expected profits included in future premiums (EPIFP)	R0790	1,017

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	1,713		
Counterparty default risk	R0020	701		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	10,849		
Diversification	R0060	-1,489		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	11,773		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	901
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-805
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	11,870
Capital add-on already set	R0210	
Solvency capital requirement	R0220	11,870
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	3,564

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090	2,424	4,150
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110	11,148	22,891
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

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

Overall MCR calculation		C0070
Linear MCR	R0300	3,564
SCR	R0310	11,870
MCR cap	R0320	5,341
MCR floor	R0330	2,967
Combined MCR	R0340	3,564
Absolute floor of the MCR	R0350	3,251
-	-	C0070
Minimum Capital Requirement	R0400	3,564

- -

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IRWELL
INSURANCE COMPANY LTD.

Directors' certificate
Irwell Insurance Company Limited
Financial year ended 31 March 2018

The Directors acknowledge their responsibility for the proper preparation of the Solvency and Financial Condition Report (SFCR) in all material respects with the PRA Rules and Solvency II Regulations.

The Board is satisfied that to the best of its knowledge and belief:

a) Throughout the financial year to 31 March 2018, the firm has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the firm; and
b) It is reasonable to believe that in respect of the period from 31 March 2018 to the date of publication of the SFCR, the firm has continued to comply and it will continue so to comply for the remainder of the financial year to 31 March 2019.

Cliff Houghton, Director
11 July 2018

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

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 March 2018:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 March 2018, ('the Narrative Disclosures subject to audit'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('the Templates subject to audit').

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

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

- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

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

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 March 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

- the Directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

We have nothing to report in relation to these matters.

Emphasis of Matter – Basis of Accounting

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

Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information.

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

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

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

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

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

It is our responsibility to form an independent opinion as to whether the relevant elements of the

SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

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

Use of our Report

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

Report on Other Legal and Regulatory Requirements

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

We have nothing to report in relation to this matter.

PKF Littlejohn LLP

PKF Littlejohn LLP
Registered Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

DATE: 16 July 2018