Building Block Insurance PCC Limited
Solvency and Financial Condition Report

December 2020

Contents

EXECUTIVE SUMMARY

The Solvency II Directive 2009/138/EC ("Directive") subjects insurance and re-insurance undertakings to a wide review of solvency requirements which are intended to reflect more closely an undertaking's financial position, business profile and risk management strategy.

The Solvency II requirements are grouped using a three pillar approach:

Pillar I covers the financial requirements of undertakings, and their ability to demonstrate that they have sufficient financial resources to cover their risks;
Pillar II requires an undertaking to adopt effective risk management and governance systems; and
Pillar III relates to disclosure requirements which are aimed at achieving greater levels of transparency by undertakings in their reporting to both their supervisors and the public.

As part of the Pillar III requirements, Building Block Insurance PCC Limited ("BBI" or "the Company") has prepared the Solvency and Financial Condition Report ("SFCR") which includes a narrative report and quantitative reporting templates. This report is a summary of the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management directed to the Company's policy holders and beneficiaries.

This report has been prepared in accordance with Articles 292 to 298 of the European Union Commission Delegated Regulation 2015-35 of the 10th October 2014. The SFCR has been approved by the Board of Directors ("the Board") and submitted to the MFSA in accordance with Article 51(1) of Directive 2009/138/EC.

A. Business and Performance

Executive Summary HIGHLIGHTS

- Building Block Insurance covered its SCR by 134% as at 31 December 2020 following a strengthening of underwriting performance during the year.
- A Gross written premium of £13,162,673 was written as at 31 December 2020 against a backdrop of consolidation and cancelling a number non-profitable and smaller schemes.
- The Board of BBI has agreed measures to ensure it can continue to write new, and administer existing, EU and UK business after the UK exits the EU.

Building Block Insurance (BBI) is a Protected Cell Company (PCC), because of the structure BBI is able to write business through the core or alternatively through the creation of separate cells. BBI is part of the Lattice Group Holdings Ltd (51960) Malta. The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act including the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency, and capital management.

The Board is satisfied with the performance of the Company during the year and the actions taken to achieve a profit for the year end 31st December 2020.

The company has written business during 2020 in line with its risk appetite, it has also continued to consolidate business introduced from MGA's in line with the strategic objectives set out by the Board in 2018. For the year to 31 December 2020 the Company continues, in conformity with its authorisation by the MFSA, to write the following insurance products from its core – ASDT, ASU, Breakdown, Car Hire Excess, Excess, Gadget Insurance, Pet, and Rent Guarantee. The number of schemes has been reduced, with schemes placed into run off in the year so that continued focus is given to the key lines of Pet, Breakdown and Gadget to further improve performance.

The Company continues to target business which is generally expected to be low risk with the use of reinsurance where appropriate to support the management of overall risk.

The Company has in place appropriate procedures to monitor the business written and ensures that key functions are properly controlled and monitored. The Board having assessed the nature and volumes of the business to be written is satisfied that there does not exist any substantial operational risk or any material risks that may result from the risks recorded in its Risk Register including other identified risks such as liquidity, inflation and reputational risks.

Brexit - The implementation period began at 11pm on the 31 January 2020 and ran until 11pm 31 December 2020 – The Implementation Period included the continuation of passporting which allowed the company to continue to trade in the UK and the rest of the EEA throughout 2020.

At 11pm on the 31st of December 2020 passporting under the Implementation period ceased and the company then entered the Temporary Permissions Regime (TPR), which again will allow passporting into the UK to take place. In January 2019, Building Block notified the Prudential Regulatory Authority (PRA) that it would enter the TPR and the notification was confirmed by the PRA.

The regime is scheduled to last a maximum of 3 years, during this time the PRA will allocate application slots for EEA insurers such as BBI to seek UK authorisation. Once allocated, BBI intends to open a UK branch to enable trade in the UK to continue.

COVID-19 - Prior to the COVID-19 pandemic arising, BBI had planned to reduce the number of distributors and schemes under management. At the beginning of 2020 BBI undertook a review of the potential impact that the pandemic could have on the business and considered the viability of specific schemes. It was decided that due to the on-going uncertainty of the employment market in Europe that BBI would issue notice on the ASU and Rent Guarantee schemes that it provided capacity for. Both schemes represented less than 6% of the total GWP written by BBI in 2019, it was however decided that due to the potential claim exposure on these schemes that BBI would withdraw from these markets. We continue to regularly monitor the impact of COVID-19 on all live and run-off schemes.

Currently the Company is capitalised to manage the impact of the pandemic and has the necessary resources to sustain this as necessary. The Company does not hold any investments in debt or equities so did not incur any investment losses since the period end because of market volatility. The directors are therefore satisfied that the Company remains a going concern.

The Company has complied with all aspects of the Solvency II regulations from the date of first implementation on 1 January 2016 and the most recent solvency position of the Company is presented above. During the reporting period there have been no changes to the capital structure.

B. Systems of Governance

Building Block Insurance PCC Limited is governed by the Board of Directors which is composed of both executive and independent non-executive directors. The Board collectively holds the relevant range of skills knowledge and experience necessary in the day to day running of the company.

The system of Governance is based on the Three lines of Defence model, and provides a clear organizational structure, with clear reporting lines and responsibilities. In line with the requirements emanating from the Solvency II directive, BBI has in place a Risk Management Function, a Compliance Function, an Internal Audit Function, and an Actuarial Function. All of which are outsourced in line with the requirement emanating from the Solvency II directives and as per BBI's Outsourcing Policy.

C. Risk Profile

The Company currently uses the Standard Formula to calculate its solvency capital requirement.

The Company's Standard Formula Solvency Capital Requirement (SF-SCR) at 31 December 2020 is £3,590k. This is covered by £2,681k of eligible capital resources or own funds, providing a Solvency II surplus of £909k and a Solvency II coverage ratio of 133.91 % and confirms the excess of the Company's total eligible own funds over its solvency capital requirement.

Building Block Insurance PCC Limited Solvency II Capital Performance at a glance	
	in £ `000
Own Funds to meet the SCR	3,590
Own Funds to meet the MCR	3, 474
Standard Formula Solvency Capital Requirement (SCR)	2,681
Solvency Surplus	909
Ratio of Own Funds to SCR	133.91%

D. Valuation for Solvency Purposes

BBI prepares its accounts in line with IFRS, which follow the prudence principle for evaluation and profit recognition purposes. Financial assets are evaluated at lower of cost or market value/realizable value and underwriting profits are only recognized for earned premiums. Solvency II evaluates financial assets at market value and technical provisions at their best estimate considering the time value of money, unlike IFRS underwriting results which are recognized at the inception date of the re/insurance agreement.

E. Capital Management

The Company is required to ensure that 'Own fund' items, both at issue and subsequently, meet the requirements of the Solvency II capital regime. As part of the annual review of the medium-term capital plan review, the Company will review the own fund items to ensure they meet the requirements of the applicable capital and distribution regime and are classified correctly. The Company's own funds consist of the following items:-

- Issued Share Capital
- Retained Earnings
- Capital Contribution

Any change to the share capital requires the approval of the Shareholders and the Board. Any other qualifying own fund item requires the review and approval of the Board. In such instances, the Board must ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the capital classification.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

We are satisfied that:-

Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the MFSA rules and the Solvency II Regulations as applicable to the insurer; and
It is reasonable to believe that the insurer has continued to comply subsequently and will continue to do so in future.

Signed on behalf of the board of Directors on 1 April 2021 by:

Joseph Demanuele
Director
Building Block Insurance PCC Limited

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

Company Information

Incorporation and Principal Activity

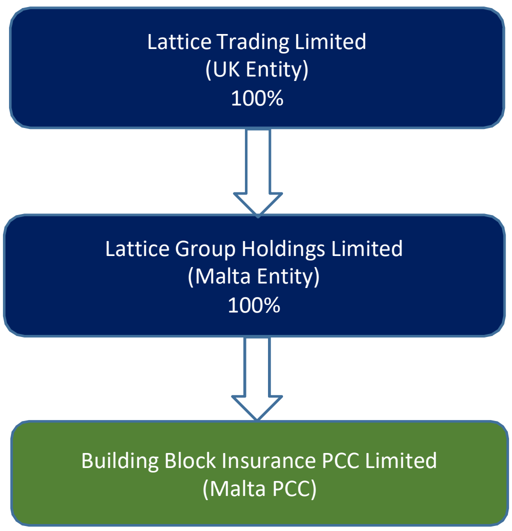
The Company was incorporated as a protected cell insurance company on 16 December 2013. The principal activities of the Company are that of an Insurance Company licensed in terms of Section 7 of the Insurance Business Act, 1998 and regulated by the Malta Financial Services Authority to write general insurance business from Malta in accordance with the Companies Act (Cell Companies carrying on business of insurance) Regulations, 2010.

Building Block Insurance PCC Limited is a protected cell insurance company incorporated in Malta and licensed and regulated by the Malta Financial Services Authority.

The immediate parent company of Building Block Insurance PCC Limited is Lattice Group Holdings Limited, a privately owned limited liability company registered in Malta (company registration number C51960) and having its registered office situated at 171, Old Bakery Street, Valletta VLT1455 Malta.

The ultimate parent company is Lattice Trading Limited, a company registered in the United Kingdom (company registration number 08512981) and having its registered office at PO Box 9562, Kempton House, Dysart Road, Grantham, Lincolnshire, NG31 0EA, United Kingdom.

The following chart shows, in simplified form, a structure chart of the Company and its ultimate parent as at 31 December 2020.



The Company is a protected cell insurance company (PCC) which is licensed and authorised by the MFSA to write all classes of insurance business.

Classes of Insurance Business:

Class 1	Accident	Class 7	Goods in Transit
Class 2	Sickness	Class 8	Fire and natural forces
Class 3	Land Vehicles	Class 9	Other damage to property
Class 4	Railway Rolling stock	Class 16	Miscellaneous financial loss
Class 5	Aircraft	Class 17	Legal Expenses
Class 6	Ships	Class 18	Assistance

The Company is passported under Freedom of Services to write various classes of insurance business in the following countries: France, Iceland, Ireland, Italy, Portugal, Spain and United Kingdom.

The Company's registered office and principal place of business and the contact details of its External Auditors and Supervisory Authority are shown below:

Insurance Company	Building Block Insurance PCC Limited Vision Exchange Building, Triq it -Territorjals, Zone 1, Central Business District, Birkirkara, CBD 1070, Malta Tel: (356) 2247 1809
Insurance Manager	Aon Insurance Managers (Malta) PCC Limited, Vision Exchange Building, Triq it -Territorjals, Zone 1, Central Business District, Birkirkara, CBD 1070, Malta Tel: (356) 2247 1809
Registered Auditors	PKF Assurance (Malta) Limited 15, Level 3, Mannarino Road, Birkirkara BKR 9080, Malta
Internal Auditors	KPMG, Portico Buildings, Marina Street, Pieta, PTA9044 Malta
Supervisory Authority	Malta Financial Services Authority Triq L -Imdina, Zone 1, Central Business District, Birkirkara, CBD 1010, Malta

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD AND UP TO THE DATE OF THE REPORT

Covid 19

The Covid 19 global pandemic has been an event without parallel. Building Block reviewed its operations to assess the potential impact as it became apparent the scale of the event. The initial and continuing actions which were the outcome of this review are documents elsewhere in this report

A.2 UNDERWRITING PERFORMANCE

The Company strategy is to focus on underwriting discipline and on products, business lines and geographic areas that are most profitable. The underwriting results have continued to improve and schemes with lower volumes or schemes that looked unlikely to achieve the required loss ratios have been placed in run off.

The Company is confident that after an extensive review of the existing schemes and the implemented sign off process on new schemes that it can operate effectively in its targeted markets in 2021. Building Block is confident on further improvements to results in 2021 in respect underwriting profitability.

A.2.1 Underwriting performance by Solvency II lines of business

Below is a comparison on the quantitative information regarding the activity and underlying results for 2020 and 2019 by line of Business:-

	Line of Business for: non-line insurance and reinsurance obligations (direct business and accepted reinsurance) in £ 000's							
	Other Motor		Assistance		Miscellaneous Financial Loss		Total	
Non- Life	2020	2019	2020	2019	2020	2019	2020	2019
Premium Written								
Gross – Direct Business	-1	110	3,056	2,371	10,108	12,803	13,163	15,284
Reinsurance Share	-12	66	3,056	2,370	6,657	10,072	9,701	12,507
Net	11	45	0	0	3,451	2,731	3,462	2,776
Premiums Earned								
Gross - Direct Business	16	193	2,743	1,708	11,088	9,755	13,847	11,655
Reinsurers' share	-2	92	2,743	1,707	8,004	7,208	10,745	9,008
Net	18	100	0	0	3,084	2,547	3,102	2,648
Claims Incurred								
Gross - Direct Business	4	113	1,277	1	6,925	6,108	8,206	6,222
Reinsurers' share	-4	60	1,280	-2	5,054	4,470	6,330	4,528
Net	7	53	-3	4	1,872	1,638	1,876	1,694
Expenses								
Expenses Incurred	4	50	125	92	1,333	1,588	1,462	1,730

Below is a comparison on the quantitative information regarding the activity by the Top Countries for 2020 and 2019

	Top Countries (by amount of gross premium written)- non-life obligations in £ 000's									
	GB		IS		IE		ES		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Premiums Written										
Gross Direct Business	12,834	14,961	0	0	187	164	142	159	13,163	15,284
Reinsurers' share	9,480	12,295	0	0	124	107	97	106	9,701	12,507
Net	3,353	2,666	0	0	63	57	45	54	3,462	2,776
Premiums Earned										
Gross Direct Business	13,473	11,409	0	15	175	128	199	103	13,847	11,655
Reinsurers' share	10,495	8,866	0	6	117	76	133	60	10,745	9,008
Net	2,978	2,543	0	10	58	52	66	43	3,102	2,648
Claims incurred										
Gross Direct Business	7,925	6,155	0	14	68	12	213	42	8,206	6,222
Reinsurers' share	6,141	4,520	0	0	34	-1	155	8	6,330	4,528
Net	1,784	1,635	0	14	34	12	58	33	1,876	1,694
Expenses Incurred	1,395	1,667	0	3	36	34	30	25	1,462	1,730

A.3 INVESTMENT PERFORMANCE

BBI's Investment Policy sets out asset allocations and investment limits approved and reviewed by the Board of Directors across a diversified range of investments.

The company's current aspirations are to preserve its capital and seeking reasonable return for the benefit of its stakeholders. In this regard the company is to continue with its investment strategy of retaining its capital in bank holdings until such time that the business produces certain levels of return where sufficient funds are available for investment diversification.

BBI is also determined that for the time being its priority remains to match the AMCR that is currently its solvency capital requirement and therefore its capital will be held mainly in Euro cash holdings split, for prudent person and diversification purposes, between Royal Bank of Scotland and HSBC Malta.

A.4 PERFORMANCE OF OTHER ACTIVITIES

No additional information to report.

A.5 ANY OTHER MATERIAL INFORMATION

No additional information to report.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

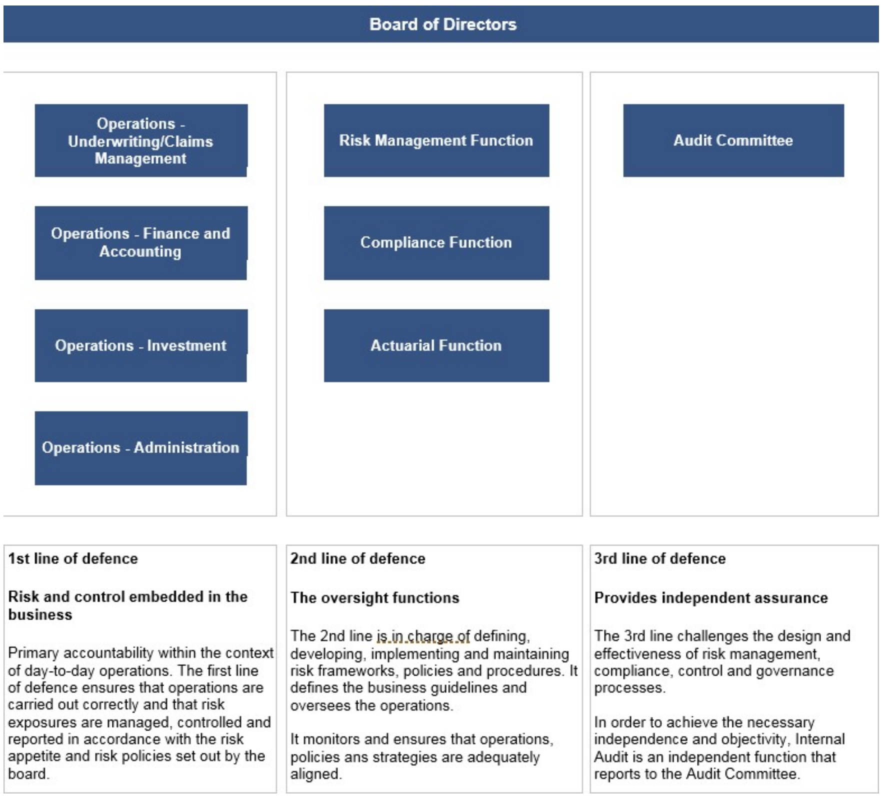
The ‘General Information on the System of Governance’ subsection of the report aims to provide details of the Company’s management structure along with roles and responsibilities and key functions of various committees.

B.1A Management and Governance Structure

The oversight of the Company’s business and its operations are provided through its governance structure, in which the management of risk plays a significant part. Governance starts with the Company’s Board, which has overall responsibility for management of the company through providing leadership of the company within a framework of prudent and effective controls which enables each of the risks faced by the Company to be assessed and managed. The governance structure provides oversight and direction to the Company.

Included in the governance framework is the Risk Management Framework which supports the Company’s risk culture. The risk framework covers the Company’s business and operational functions and risk areas. It sets out the Risk Committee, risk reporting and risk control details. The risk governance structure provides an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed.

The governance structure is designed to support the Company’s embedding of a strong risk culture through the integration of risk management with regulatory requirements and business activities. The chart below illustrates the governance and organizational structure of the Company.



The Company’s risk management framework is based on the “Three Lines of Defence” model. This structure allows for each function and individual to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture across the Company.

Board of Directors

The Board has overall responsibility for the oversight of the management of the Company. Its role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables each of the risks faced by the Company to be assessed and managed. The Board is responsible for promoting the long-term success of the Company whilst securing an appropriate degree of protection for policyholders. Its objectives are to set the Company’s strategic aims, monitor management’s performance against those strategic aims, set the Company’s risk appetite, ensure the Company is adequately resourced and that effective controls are in place. The Board is composed of a mix of executive directors and independent non-executive directors so as to achieve a balance of skills, experience, challenge and debate and so that no individual or small group of individuals can dominate its decision-making. Authority in the Company flows from the Board, but it delegates the matters set out in sub-committees’ Terms of Reference accordingly

The Company’s governance framework includes the following committees which focus on key important areas of the business:

- Insurance, Risk & Compliance Committee
- Audit Committee

The Following outlines the main responsibilities of BBI’s Governing Bodies.

Insurance, Risk & Compliance Committee

The Company’s Insurance, Risk & Compliance Committee oversees the delivery of the risk management framework and the identification, assessment and control of the Company’s risk exposures across its various risk categories, together with the satisfactory conduct of all underwriting and claims related activities and that an appropriate compliance and risk management framework is in place and that commercial operations are conducted within the scope of that Company’s framework and policies.

The Audit Committee

The Audit Committee was established to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and overall provide a third line of defense.

B.1A.E Key Functions, Roles and Responsibilities

Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements. The system of governance includes the risk function, compliance function, actuarial function and internal audit function. An overview of the roles and responsibilities for each of these functions and their key function holders are set out below:

1) Risk Function - Risk Officer

The Risk Management Function is in charge of establishing an effective risk management system which ensures the identification, quantification, monitoring and reporting on the risks.

The Risk Officer of the Company ensures that breaches within the Risk Appetite of the Company are not permitted. In the event of a breach, it is brought to the attention of the person concerned and eventually escalated to the Board of Directors.

2) Compliance Function – Compliance Officer

The Compliance Officer of the Company has not reported or recorded any such breaches during 2019.
The Compliance Officer, as the person responsible for all aspects of compliance:

- demonstrates independence of judgement and exercises proper day-to-day supervision and control over the activity of the Company; and

- is thoroughly familiar with Insurance Legislation which may be in force from time to time and the conditions of authorization that attach to the Company`s authority.

The Compliance Officer of the Company ensures that breaches in terms of internal control procedures and systems or conditions of authorisation to which the Company is subject, are not permitted. If the Compliance Officer becomes aware of any such breaches, he/she will draw them to the attention of the person concerned and, where appropriate, to the attention of the Board of Directors. The Compliance Officer will also record, in writing, all such breaches and the course of action taken as a result. He/She will also notify the competent authority of any breach of conditions of the Company`s authorisation upon becoming aware of such a breach.

The Compliance Officer of the Company has not reported or recorded any such breaches during 2020.

3) Actuarial Function - Appointed Actuary

The Actuarial Function is responsible for calculating the probability and risk of future events using specialised mathematical techniques, software and commercial expertise. It is a critical function for the Company, having a significant impact on the pricing, reserving and capital modelling calibration of all lines of business.

The appointed Actuary of the Company is Numisma Advisory Services Limited effective 1 October 2019.

4) Internal Audit Function – Internal Auditor

The Board, Senior Management, Internal Auditor and all employees have a shared commitment to maintain and enhance the integrity of the Company’s control environment. Within the context of the control framework, auditing is an independent risk assessment function established within the organisation to evaluate, test, and report on the adequacy and effectiveness of management’s systems of internal control.

The purpose of these evaluations and tests is to:

- Assist the Audit Committee in executing their oversight responsibilities and,

- Provides an independent assessment of the Company's system of internal control, through reviewing how effectively key risks are being managed, and assists management in the effective discharge of its responsibilities by carrying out independent appraisals and making recommendations for improvement.

KPMG, as the Company's Internal Auditors, are responsible for enhancing the Company's Internal audit programme and ensuring that it is kept effective and efficient at all times, taking into account the Company's activities, system of governance, internal control and risk management processes.

In order to maintain audit independence, the Internal Auditor will report on the audit program, its status, and the condition of the control environment directly to the Board through the Audit Committee. This reporting relationship which also includes audit plans, financial budgets and staffing considerations is designed to ensure the ongoing independence of the internal audit function in order to provide for the objectivity of its findings, recommendations and opinions.

The Internal Auditor is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel.

B.1.B Material Changes in the System of Governance during the Period

The organigram below portrays BBI's current organisation structure:

Through 2020, there have been a number of changes to BBI's organisational structure. The most evident change was that towards the end of 2020 the members of the Audit Committee were decreased to two, following the resignation of one of the members. The remaining changes were related to the specific persons occupying key roles within BBI's organisational structure and changes on the board of directors.

B.1.C Remuneration Policy

The Company's Remuneration Policy outlines the terms and conditions for the remuneration of members of the Board, responsible for Key Function, service providers and other categories of staff whose professional activities have as material impact on the Company's Risk Profile. The compensation programme is structured on the principle of providing a fair, market-competitive, performance-driven remuneration package.

The remuneration policy sets out to preclude the possibility of manipulation, negative incentives and undesired risk retention.

B.2 FIT AND PROPER

The purpose of this policy is to set out the Company's approach to the assessment of the Fitness and Propriety of persons who effectively run the Company or are responsible for other key functions.

The Company is aware of regulations in this area as are currently in place. This policy must at all times be in compliance with the regulations around the area of Fitness and Propriety as maybe issued by regulators from time to time.

The Objectives of the Fitness and Propriety policy are to ensure:

- that all persons who effectively run the Company or are responsible for other key functions at all times possess the professional qualifications, knowledge and experience to enable sound and prudent management (fit);
- that all persons who effectively run the Company or are responsible for other key functions at all times are of good repute and integrity (probity);
- that the members of the Board shall, collectively, be able to provide for the sound and prudent management of the Company;
- that the Board should have the appropriate balance of skills, experience and knowledge of the Company to enable it to discharge its duties and responsibilities effectively;

When assessments of a person's Fitness and Probity for a responsible person to occupy a responsible position are conducted they must be made:

- before the person is appointed;
- on at least an annual basis following appointment;
- upon the event of material information adverse to the assessment becoming known to the Company or any other circumstances whereby the fitness or probity of responsible persons may be adversely affected.

B.3 RISK MANAGEMENT SYSTEM

Risk Management Overview, Strategy and Objectives

The Company believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability.

The Company utilises the 'Three Lines of Defense' model for risk management and has a risk governance structure that encompasses its principal business operations and risk areas. It also defines a framework which includes a Board appointed risk committee, risk reporting and risk controls embedded throughout the Company.

The Company seeks to maintain a risk profile that meets its business objectives and its approach to risk-taking is quantified through its risk appetite statement which aligns the Company's strategic business goals against the risks it faces, ensuring that these risks are maintained at levels consistent with the Company's financial resources. This, in tandem with continuous management and monitoring of the Company's capital position, ensures that the Company continues to manage its business in an environment of controlled, proportionate risk-taking to generate sustainable earnings and deliver long-term value for shareholders.

The Company's adherence to its quantified risk parameters is supported by ongoing risk identification exercises, the outputs of which are documented within its standing risk register framework, which captures the material risks that the company faces.

The Company's Insurance, Risk and Compliance Committee has ultimate responsibility for development and oversight of the risk management framework.

Risk Culture

The Company has an ongoing commitment towards maintaining an effective risk culture, as it is critical to its success in maintaining and developing an effective risk management system.

Each function and individual is provided with a clear understanding of their risk management responsibilities in order to embed an effective risk culture across the Company; and the risk governance structure also provides an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed.

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Risk Appetite

Risk is accepted as a potential cost of being open for new business, and servicing existing business. The cost of controlling all risks to a "minimal" level could easily outweigh any benefits derived from reducing the cost of risk events. The organisation does accept some volatility in operational profit in order to generate profits over the long term.

Risk Appetite is the expression of the level of acceptable and/or unacceptable risk as defined by the Board and senior management. Risk appetite reflects the organisation's willingness to take on risk as derived from its capacity to bear risk and the philosophy or attitude toward risk taking.

The Board sets out the overall risk appetite of the organisation. Such is cascaded into more detailed expressions of appetite or limits applicable to each business function and each risk described in the Risk Register. This facilitates risk-taking decisions.

As an overarching risk appetite, the organisation defines an overall top-down risk appetite based on the results of the Solvency II Standard Model and its ORSA, as follows:

- **Minimum Buffer:**
  The ORSA required funds position is calculated to cover a maximum sustainable loss at a 99.5% confidence level within a one-year time horizon sufficient to meet a 1 in 200 year risk of default. Available funds for the PCC as a whole must be maintained above a minimum of 120% of Solvency II SCR or ORSA requirement whichever the higher. This ensures the PCC operates at all times at a ratio that is above regulatory requirements.

Subject to regulatory and Board approval, any cells created in Building Block Insurance PCC Limited may be allowed to be in a deficit solvency position based on Solvency II SCR so long as sufficient surplus funds are available in the core to meet such deficit and that the cell does not have a non-recourse provision.

Risk Identification

Since new risks may emerge periodically, the company continually assesses and revises its current risk profile, and assembles these profiles and identified material risks into its Risk Register.

The outputs from these activities enable the Company to identify key areas for focus and to identify their potential impact on the company's risk profile.

Risk Register

The Company maintains a dynamic, interactive risk register structure, where issues or developments within specific risks at a certain level are captured, discussed and assessed.

Identified risks are aligned to the five main risk categories of Insurance, Market, Operational, Credit and Business/Strategy Risk.

Risk Management and Control

The management of the Company's key risks and the establishment and application of relevant mitigating controls is an essential part of the management of its activities against its defined risk appetite:

Solvency Capital Management

The Company's Solvency Capital Requirement is calculated using the Standard Formula.

Own Risk and Solvency Assessment (ORSA)

The Own Risk & Solvency Assessment (ORSA) is a set of processes undertaken to define, assess and manage the risk and solvency capital position of the Company. The ORSA Process draws together the results and analysis delivered through each of the above risk processes and provides a current and forward-looking assessment of the Company's risk profile.

- **Define the Stress Scenarios**
  On the basis of BBI's Risk Register, scenarios are designed to simulate the impact of high inherent and/or residual risks identified. The scenarios are then used to stress BBI's Financial Plan. Ultimately, these scenarios are used to assess whether the available and future capital is sufficient in expected and stressed situations. The appropriateness of the risk limits are also assessed by stress testing. Reverse stress testing, which is the process of identifying and simulating scenarios that can lead to the failure of the firm, is used to provide a sensitivity analysis.

- **Stress the Financial Plan**
  Stress and reverse stress scenarios are embedded into the projected financial plan under Solvency II GAAP. Related Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") ratios are then calculated for each year, resulting in the Stressed Financial Plan and the solvency impact of the validated scenarios.

- **Assess prospective solvency needs**
  On the basis of the Stressed Financial Plan, potential additional mitigation actions are identified, where appropriate, to reduce the impact of the Stress Scenarios. Any remaining solvency gap will be covered through a relevant capital plan, i.e. measures to restore the Company's solvency margin over a given period of time should the assumed scenarios occur.

- **Produce the ORSA report**
  The purpose of the ORSA report is to bring clarity about the projected risk profile and solvency needs to the 3 different stakeholders, the Board, the Shareholders and the Supervisory Authority, through dedicated sets of information in line with their expectations (as summarized in the table below).

- **ORSA workshop**
  The Directors participate in a workshop to agree and challenge the findings of the report. This discussion is minuted and any changes adjusted as per instructions from the Board.

- **Board approval**
  The ORSA report is approved by the Board of Directors during the Board Meeting.

ORSA Report

The ORSA Report is used to summarise the outputs of risk management and capital assessment processes. This report includes both the quantitative and the qualitative outputs of these processes and links these to the Company's business performance, to assist the Board and senior management in making strategic business decisions. The ORSA report is prepared annually, or earlier in cases where an event occurs that results in a material change to the Company's Risk Profile or Business Plan, and this is reviewed, challenged and ultimately signed off at Board level.

The ORSA Report is a key document for management, the Board and the regulator.

B.4 INTERNAL CONTROL SYSTEM

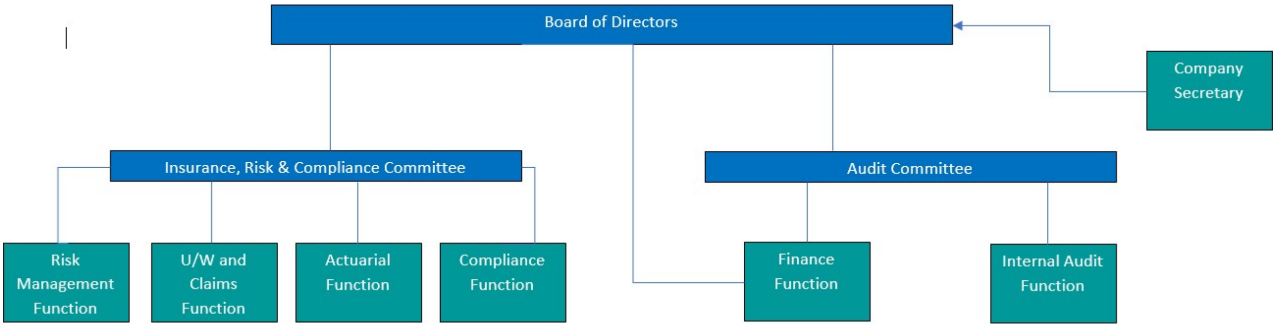
The Internal Control System is a mix of actions and processes undertaken by all stakeholders within the Company to provide reasonable assurance that the strategic objectives will be achieved.

The objectives of the Internal Control System are therefore to ensure:

- An ordered execution of ethical, economical, efficient and effective operations;
- Accountability obligations are fulfilled;
- Availability and reliability of financial and non-financial information;
- Compliance with applicable laws, regulations and administrative provisions;
- Resources are protected against losses, misuses and damages.

Organisation Structure

The Organisation Structure as at 31 December 2020 was as follows:



The objectives of the Internal Control System are therefore to ensure:

- An ordered execution of ethical, economical, efficient and effective operations;
- Accountability obligations are fulfilled;
- Availability and reliability of financial and non-financial information;
- Compliance with applicable laws, regulations and administrative provisions;
- Resources are protected against losses, misuses and damages.

In order to achieve these objectives, the Internal Control framework of the Company is structured around five complementary components as follows:

Component	Contents
1) Control environment	A strong "risk and control" culture is embedded within the Company's operations through the continuous oversight of the Board of Directors and the communication to all internal stakeholders of all governance and risk principles through the present manual.
2) Risk assessment	Procedures and policies are detailed and formalized in order to disclose the way of identifying, managing, controlling, mitigating and reporting issues relating to each risk category.

Component	Contents
3) Reporting channels	Clear and structured reporting processes are in place enabling the Board of Directors to have access to relevant, complete, reliable, correct and timely communication related to internal as well as external events.
4) Monitoring process	The appropriate escalation of significant issues to the Board of Directors, the ongoing involvement of all internal stakeholders as well as the Internal Audit process enables to Company to continuously monitor and adapt when necessary its Internal Control System.
5) Control activities	The Company developed a comprehensive set of preventive, detective or corrective control actions embedded in its daily operations, as formalized hereafter.

B.5 INTERNAL AUDIT FUNCTION

The purpose of the Internal Audit Function is to serve as a Board oversight function that objectively evaluates and recommends improvements to the Company's Internal Control System by facilitating an objective and independent assessment.

The main objective of the Internal Audit Function is to ensure governance, risk management and control systems are effective, efficient and correctly designed.

The Internal Audit Function must ensure that all aspects and processes of the Company are assessed at least once over a three year period. The internal Audit function takes a risk-based approach in deciding its priorities.

The scope of the Internal Audit Function includes the review of Risk Management, Internal Control, information and governance systems.

To fulfill its responsibilities, the Internal Audit Function must:

- review the adequacy of control activities to ensure compliance with policies, plans, procedures, and business objectives;
- assess the reliability and security of financial and management information and the systems and operations (in-house or outsourced) that produce this information;
- review established procedures and systems and propose improvements;
- evaluate controls and monitor the ORSA process design, effectiveness and control actions;
  follow up recommendations to make sure that effective remedial actions are undertaken;
- carry out adequate investigations, appraisals or reviews requested by the Board of Directors.

In due course, the Internal Audit Function submits a three year audit plan to the Board of Directors for review and approval.

The said audit plan contains at least the proposed work schedule and related resources and budgets requirements.

It provides information about the systems and processes to be assessed, the current order of priority of audit projects and how they are to be carried out.

The Internal Audit Function is responsible for planning, conducting, reporting and following up on audit projects included in the audit plan and decides on the scope and timing of audits.

B.6 ACTUARIAL FUNCTION

BBI's Actuarial Function is responsible for preparing actuarial, statistical calculations that would allow the determination of rates, technical provisions and risk modeling used as a basis for the calculation of BBI's capital requirements. BBI's Actuarial Function is outsourced to Numisma Consulting Limited.

B.7 OUTSOURCING ARRANGEMENTS

The purpose of this policy is to establish the requirements for identifying, justifying, and implementing outsourcing arrangements for any function or activity within the Company, this in order to ensure that the outsourcing activities are carried out appropriately.

The Company remains fully responsible for discharging all of its obligations when it outsources functions or activities.

It is a requirement that outsourcing of critical or important operational functions or activities shall not be undertaken in such a way as to lead to any of the following:

a) materially impairing the quality of the system of governance of the Company;
b) unduly increasing the operational risk;
c) impairing the ability of the MFSA to monitor the compliance of the Company with its obligations;
d) undermining continuous and satisfactory service to reinsured counterparties

The 'Outsourcing' sub-section of the report provides a description of the Company's critical outsourcing activities and the outsource service providers. The Company's Outsourcing Service Providers are defined as Third Parties that perform/provide core business activities, i.e. insurance products/services (and/or regulated activities) on behalf of the company. The Company utilises outsourcing arrangements for a number of operational activities in order to reduce operational costs and free internal personnel for other key functions within the Company.

The screening/due diligence process confirms if a vendor is suitably qualified and possesses the expertise, experience and capabilities for the goods and/or services being provided to the Company.

B.8 ANY OTHER MATERIAL INFORMATION

COVID-19 Impacts

As a result of the COVID19 impact assessments, the Company's operating methods and capacity have been amended as follows to ensure business continuity.

Home Working
From the week commencing 23rd March 2020, BBI staff started to operate from home. All employees had already been issued with the necessary IT equipment to access both BBI's network and systems to continue operating as if from the office. BBI is fortunate in that most of its staff are already used to conduct some of their operations on a remote basis, and therefore the transition to remote working is not a key issue.

Regular team meetings are taking place via videoconferencing to ensure that communication is maintained across the team and to ensure that all aspects of the business are kept apprised of developments in the business.
The usual business meetings that were being held with business and interested parties are still taking place with the same regularity as before, which due to the nature of the business continues to be held via teleconferencing.

In view to the limitations imposed on travel in view of this pandemic, Board meetings and Board committee meetings are also taking place via teleconferencing as also meetings with the regulators, insurance managers, and auditors and actuaries.

Claims Management
BBI operates its claims management processes via outsourced specialists who have implemented their individual BCP's to ensure that the respective claims processes continue so that the customers are not disadvantaged as a result of the COVID-19 issues and ensure that they continue to be services in the best possible manner.

BBI's Claims Manager who is in regular contact with each claims management company dealing with BBI's claims and where there are products that have a pandemic clause and therefore a specific COVID-19 impact, then he has increased dialog as a result to ensure fair consideration and eventual settlement of the claim.

In cases where claims involve extended supply chains, these may experience some delays, however, this is being communicated to the respective claimant.

Controls and segregation of duties
BBI ensures that it is continuing to operate within the same internal controls as previously exercised. Where authorisations are required, this is being applied in the same manner with the use of emails, teleconferencing and other methods of communication.

Where electronic authorisations are necessary, as in the case with of banking payments, the authorisation process remains unchanged and this continues to be followed up with those payments being raised once these are approved by the respective cost owner

There is no other material information in relation to system of governance to be reported.

B.9 REPORTING AT GROUP LEVEL

The Company does not fall under the provisions of Group Supervision.

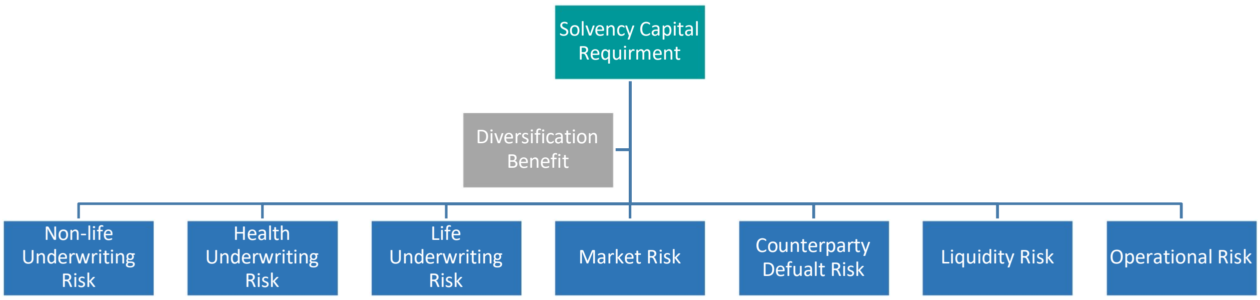
C. RISK PROFILE

The Risk Profile section of the report captures the complexity of the overall risk status of the Company, taking into account all the material risks to which the Company is exposed. For each major risk grouping, this section provides a description of:

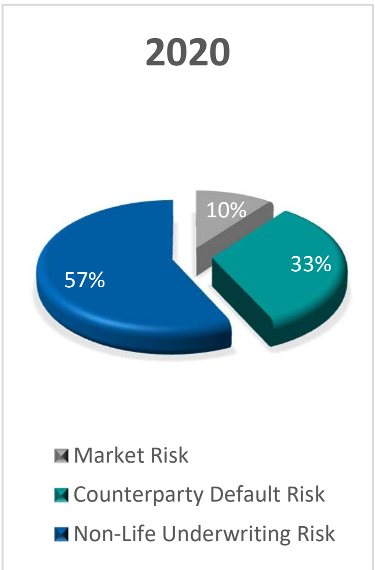
- Risk exposure;
- Measures used to assess the risk;
- Risk concentration;
- Risk mitigation; and
- Risk sensitivities

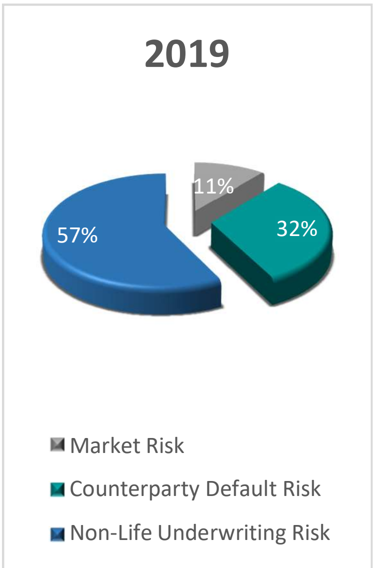
The Company believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability.

The Company's Solvency Capital Requirement (SCR) is calculated using the Standard Formula. The SCR is composed of the following modules:



As it can be seen from the below chart, in 2020 the main SCR component was the Non-Life Underwriting Risk. This is the same as at 2019 albeit having a different percentage.





Risk Profile, Measurement and Assessment

The Company's Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the five major risk groupings the Company may be exposed to, including:

- Insurance risk (Underwriting Risk);
- Market Risk;
- Credit Risk (Counterparty Default Risk);
- Liquidity Risk; and
- Operational Risk

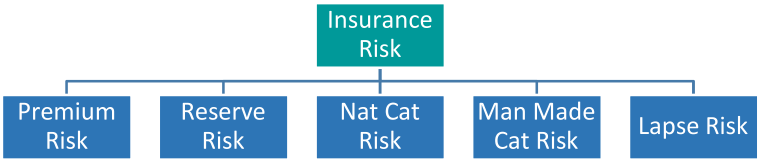
The Company's risk assessment draws on available management information (MI) and key risk indicators (KRIs). KRI results, particularly those that breach an agreed trigger level, are discussed within the risk management governance structure to identify the root cause and to approve remedial actions for the relevant risk owners to execute.

The Company has identified a number of risks that may potentially impact on the successful execution of its business plan and ability to generate sustainable profits during 2020 and beyond.

Risk Area	Description
Insurance Risk	1. Failure of Pricing, Product or Strategy
Market Risk	2. Currency risk
Credit Risk	3. Unexpected Credit Loss – Reinsurer & Bank counterparty failure
Operations Risk	4. Operational Risk

C.1 UNDERWRITING RISK

Underwriting Risk (Insurance Risk) encompasses the risks the Company is exposed to arising from its insurance underwriting operations and is broadly split and assessed between the following risk categories:



INSURANCE RISK EXPOSURES

1. **Premium Risk**

Premium Risk arises from the failure of pricing, product or strategy. It encompasses the risk of loss due to the potential timing, frequency and severity of covered loss events differing from that assumed at the time of underwriting and pricing a risk. Premium risk arises during market and/or investment cycles where there is pressure on pricing margins, which results in being unable to charge an appropriate price without undermining its market position.

Premium Risk is driven by changes in actual earned premiums and forecast premiums.

2. **Reserve Risk**

Reserve Risk arises from adverse reserve development through failing to set sufficient cash reserves or through failing to adopt a robust and consistent reserve strategy offered to insureds. It represents the difference between the actual versus expected variability in the timing or amount (size/severity and count/ frequency) of loss costs including indemnity, legal and loss adjustment expenses.

Reserve Risk is influenced by changes in Claims Provisions.

3. **Catastrophe Risk – Natural / Man Made**

Natural Catastrophe Risk arises from the failure to manage risk aggregation or accumulation that may result in an increased exposure to natural catastrophe losses (e.g. hurricanes, earthquakes, floods etc.). If insured risks are overly correlated due to say, geographical concentration, losses can occur and affect multiple lines of business.

Man Made Catastrophe Risk arises from failure to manage risk aggregation or accumulation that may result in increased exposure to man-made catastrophe losses (e.g. terrorism, explosion, systemic financial losses, latent disease, pandemic etc.).

In 2019, the company had a Catastrophe Risk exposure of over £100 thousand which was later increased to £207 thousand in 2020.

4. **Lapse Risk**

Non-life lapse risk reflects the risk of loss, or of adverse change in the value of insurance liabilities, resulting from a discontinuance of insurance policies.
The Company's product portfolio and subject matter coverage is such that a Catastrophe Risk is minimal. The Lapse Risk is very much a minor factor, in that the product portfolio consists mainly of short term duration, and in no case other than GAP, of more than 12 months' duration. The product sector in which the Company operates has historically experienced a reasonably high policy lapse rate and this has been taken into account at all stages. In 2019, the company had a Lapse Risk exposure of over £17 thousand which was later increased to £51 thousand in 2020.

INSURANCE RISK CONCENTRATION

Insurance risk concentration occurs due to the concentration of an insurance operation in a particular geographic area, industry or insurance peril. It may also occur as a result of a correlation between individual insured perils.

INSURANCE RISK MITIGATION TECHNIQUES

The Company manages insurance risks by monitoring and controlling the nature of and accumulation by geographic location of the risks in each line of business underwritten, the terms and conditions of the underwriting and the premiums the Company charges for taking on the risk. This is achieved through a number of common techniques and procedures, some of the most significant are highlighted below:

Type of Risk	Specific Risk	Risk Mitigation techniques
Premium Risk	Pricing guidelines	The Company seeks to manage pricing risk through the setting and review of pricing and underwriting authorities.
Premium Risk	Purchase of reinsurance	The Company also mitigates exposure to pricing risk through the purchase of reinsurance.
Premium Risk	Review of business plans and new products	The Company seeks to manage this risk through the use of processes and procedures over the production, review and analysis of business plans and the introduction of new products for each line of business, prior to approval and execution.
Reserve Risk	Monitoring adherence to claims reserving policies and procedures	The Company seeks to manage this risk through monitoring adherence to claims reserving practices.

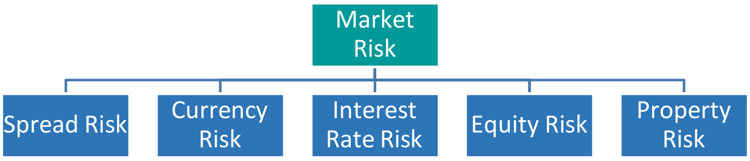
PROCESS FOR MONITORING THE EFFECTIVENESS OF INSURANCE RISK MITIGATION TECHNIQUES

The Risk Committee monitors the continued effectiveness of the above risk mitigation techniques through processes and deliverables including its Risk Register and Risk Appetite. The outputs of these risk processes are fundamental to the delivery of the Own Risk and Solvency Assessment (ORSA) and, ultimately, the annual ORSA report.

In relation to Reserve Risk, the Company utilises its appointed Actuarial function to perform reviews of its reserves to provide an independent review of their adequacy.

C.2 MARKET RISK

Market Risk occurs where the Company is adversely affected by movements in the fair value of its financial assets arising from market movements, such as credit spreads, interest rates and foreign exchange rates or other price risks.



MARKET RISK EXPOSURE

The Company is exposed to Currency Risk which is the potential financial loss arising from the change in value of currency exchange rates or from closing out a currency position at a loss due to adverse movements in exchange rates.

While the reporting currency is GBP, the Company holds a large proportion of its cash assets in EUR to offset the currency risk introduced by the MCR floor which is defined in terms of EUR.

MEASURES USED TO ASSESS MARKET RISK

Foreign exchange (FOREX) exposure is monitored on a monthly basis.

MARKET RISK CONCENTRATION – by Currency

The Company's cash and cash equivalent holdings as at 31 December 2020 in a currency other than its functional currency, which is GBP, amounted to £669 thousand from a total holding of £2,191 thousand which is equivalent to 31%.

MARKET RISK MITIGATION TECHNIQUES

The Company manages Market Risk in order to minimise the impact on its solvency position due to adverse market movements.

Risk Mitigation and the Prudent Person Principle

The Company's current position at this stage, with a view to preserving its capital and seeking reasonable return for the benefit of its policyholders and shareholders, is to continue with its investment policy of retaining its capital in bank holdings until such time that the business produces certain levels of return where sufficient funds are available for investment when the markets are also more stable. The Company has also determined that for the time being its priority remains to match the AMCR that is currently its solvency capital requirement and therefore its capital will be held mainly in Euro cash holdings split, for prudent person and diversification purposes, between Royal Bank of Scotland and HSBC Malta.

Currency Risk mitigation is achieved by the monitoring of its excess of assets over liabilities by currency.

Liquidity Risk: Since the Company holds cash and cash equivalents sufficient coverage is provided for the uncertainties and short-term nature of its Technical Provision liability cash flows.

Counterparty Default Risk (Credit Risk): The Company has reinsurance arrangements backed by collaterals and therefore, Credit Risk is kept in control.

C.3 CREDIT RISK

Credit Risk (Counterparty Defualt Risk) is defined as the change in the value of assets and liabilities caused by unexpected default or deterioration in the credit standing of independent counterparties and debtors.

CREDIT RISK EXPOSURE

The Company is exposed to the following categories of Credit Risk:

- Type 1 exposures that include risk mitigating contracts like reinsurance arrangements, securitisations, derivatives, deposits with ceding and credit institutions, cash at bank and letters of credit that are not diversifiable but are likely to be rated.

- Type 2 exposures that include diversifiable and unrated exposures such as receivable from intermediaries, policyholder debtors etc.

MEASURES USED TO ASSESS CREDIT RISK

The following Key Risk Indicators (KRI) are used by the Company to assess its Credit Risks:

KRIs	Description
Unexpected Credit Loss – Reinsurer failure	The Company faces a risk of material losses if its main reinsurers fail or are unable to pay their contractual share of claims payable.
Unexpected Credit Loss – Bank counterparties	The Company faces a risk of material losses and cash flow issues if third party obligors are unable to pay amounts due and default in their commitments.

CREDIT RISK CONCENTRATION

The Credit Risk of the Company is concentrated as follows:

- Type 1 exposures relating to the Company's reinsurance (reinsurance recoverable and reinsurance receivables) and banking (cash holdings) arrangements:

- Type 2 exposures relate to Receivables due from coverholders and arising out of insurance operations. However, this exposure is well diversified.

CREDIT RISK MITIGATION TECHNIQUES

The Company monitors and controls its Credit Risk and in some circumstances the Company may require third-party guarantees, reinsurance or collateral, such as letters of credit.

C.4 LIQUIDITY RISK

Liquidity refers to the ability to generate sufficient cash resources to meet the Company's payment obligations. It is defined as unencumbered cash and assets that can be monetised in a short period of time at a reasonable cost in both normal and stressed market conditions.

Liquidity Risk occurs where the Company's financial condition will be adversely affected by the inability or perceived inability to meet its short-term cash, collateral or other financial obligations. The failure to appropriately manage liquidity risk can result in reduced operating flexibility, increased costs, and reputational harm.

The Company has very limited exposure to Liquidity Risk since its assets are held mainly in cash and cash equivalents.
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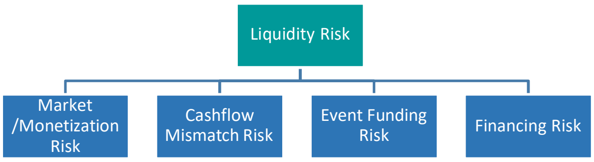

C.5 OPERATIONAL RISK

Operational Risk is defined as the risk of loss, or other adverse consequences, resulting from inadequate or failed internal processes, people, systems or external events.

Operational Risk is considered a key risk area of the Company and it is inherent in each of its business units. Operational Risks can have many impacts, including but not limited to unexpected economic losses or gains, reputational harm due to negative publicity, regulatory action from supervisory agencies, operational and business disruptions and damage to customer relationships.

OPERATIONAL RISK EXPOSURES

The Company is exposed to the following main types of Operational risk:

Operational Risk	Description
Execution, Delivery & Process Management	Risks associated with the failure to execute or process transactions timely and accurately with clients, counterparties and/or external vendors / suppliers.
Clients, Products & Business Practices	Risks associated with the unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product. It also includes non-compliance with laws, rules, regulations, agreements, prescribed practices and ethical standards.
Business Disruption & Systems Failure	Risks associated with the interruption of business activity due to system or communication failures, the inaccessibility of information or the unavailability of utilities.
Financial Integrity & Reporting	Risks associated with the disclosure of materially incorrect or untimely information, whether financial or non-financial, or the failure to disclose information to external or internal stakeholders or to the general public.
External / Internal Fraud	Risks associated with acts intended to defraud, misappropriate property or circumvent regulations or the law or company policy by one or more third party and/or internal party.

C.6 OTHER MATERIAL RISKS

There are no other Material Risks to note.

D. VALUATION FOR SOLVENCY PURPOSES

BBI prepares its accounts in line with IFRS, which follow the prudence principle for evaluation and profit recognition purposes. Financial assets are evaluated at lower of cost or market value/realizable value and underwriting profits are only recognized for earned premiums. Solvency II evaluates financial assets at market value and technical provisions at their best estimate considering the time value of money, unlike IFRS underwriting results which are recognized at the inception date of the insurance agreement.

The 'Valuation for Solvency Purposes' section of the report describes the valuation of assets, technical provisions and other liabilities from IFRS basis to Solvency basis. The section also outlines the approach and methodology underlying the valuation.

Key elements of the section include:

- Assets;
- Technical Provisions (TPs);
- Other Liabilities; and
- Any other information

Valuation basis, methods and main assumptions

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities other than technical provisions are measured in accordance with principles of an arm's length transaction between knowledgeable willing parties using market consistent valuation methods.

The Company's Own Funds position is different from the equity stated in its financial statements for a number of reasons. Valuation differences are representative of items of assets and liabilities which have been valued on a different basis for Solvency II reporting purposes compared with IFRS.

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D.1 ASSETS

Notes: Assets valuations, approach and/or methodology

1) Solvency II and IFRS accounts balance sheet differences

Capital resources are calculated differently under Solvency II and IFRS resulting from differences in the classification and valuation of certain items under Solvency II definitions compared to IFRS:

- Deferred Acquisition Costs
  - Not recognised under Solvency II
- Intangible Assets
  - Disallowed unless they can be readily sold
- Deferred Tax Assets
  - Included under Solvency II
- Reinsurance Recoverables
  - Adjusted for expected losses due to counterparty default.
- Insurance and Intermediaries Receivables
  - Adjusted for expected losses due to counterparty default.

The table below compares the assets of the company with those of the previous reporting period:

Differences between Solvency II values and Statutory IFRS Accounts values (£'000)			
		2020	**2019**
Assets	Deferred Acquisition Costs	(2,275)	(2,956)
	Intangible Assets	(17)	(14)
	Deferred Tax Assets	45	67
	Reinsurance Recoverables	(3,269)	(3,960)
	Insurance and Intermediaries Receivables	(106)	(29)
	Difference arising from SII valuation of Assets	**(5,623)**	**(6,893)**
Liabilities	Technical Provisions	(3,599)	(3,925)
	Deferred Reinsurance Commission	(1,888)	(2,816)
	Reinsurance Payables	(52)	(28)
	Difference arising from SII valuation of Technical Provisions	**(5,538)**	**(6,768)**
	Total difference Excess of Assets over Liabilities (SII vs IFRS valuations)	***(84)***	***(125)***

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D.2 TECHNICAL PROVISIONS

The Solvency II technical provisions consist of a claim provision, premium provision and a risk margin. The claim provision includes the premium and claim cash flows associated with periods of exposure prior to the valuation date. Technical Provisions under Solvency II can be calculated as:

Premium Provisions + Claim Provisions + Risk Margin

The table below compare BBI's technical provisions as at 31st December 2020 to the ones reported in the previous reporting period.

		31/12/2020 £' 000	31/12/2019 £' 000	Increase / Decrease £'000
Best Estimate Liabilities	Miscellaneous Financial Loss	4,849	-834	-834
	Other Motor Insurance	2	-62	-62
	Assistance	351	230	230
Total Best Estimate Liabilities		5,202	5,868	-666
Total Risk Margin		283	259	24
Total Technical Provisions		5,484	6,127	-643

As all product lines are relatively new, therefore we do not have adequate data to perform a comparison of best estimate against experience.

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NOTES: Liability (Technical Provisions) valuations, approach and/or methodology

3. Best Estimate Liabilities / Technical Provisions

- The Best Estimate Liabilities is the Sum of the Premium Provisions and Claim Provisions.
- The Premium Provisions related to unearned premiums and have been calculated by adding the expected claim, maintenance expenses and claims expenses. This is known as the Initial Premium Provision *("Initial PP")*. From the Initial PP, a return premium is also estimated that increases the provision. The return premium is calculated as the lapse probability multiplied by the net cash-flows that relate to the product under consideration.
- The Claim Provisions relate to the outstanding claims on which an IBNR andclaims handling costs were added.
- Both the Claim Provisions and Premium provisions were discounted using payment patterns for each line of business.
- The Actuarial function of the Company believes that determining the Best Estimate Liabilities, and therefore the Technical Provisions, using this method is appropriate.
- Assumptions: The key assumptions underlying the calculation of the Best Estimate Liabilities are the loss ratios and expense ratios applied to each product type.

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4. Risk Margin	• The Risk Margin has been calculated in accordance with Article 86(d) of the Solvency II Directive and subsection 4 of the Commission Delegated Regulation (EU) 2015/35. • The Risk Margin has been determined as part of the solvency calculations and has been added to the Best Estimate Liabilities to determine the total Technical Provisions. • The Risk Margin can be considered as the cost of capital which is added to the Best Estimate of Premium and Claim Provisions so that you get a sufficient value for another insurer to take-over and meet the insurance obligations. • The calculation of the Risk Margin is performed using the following simplification approach: • The future SCRs are projected yearly as a proportion of the future Cash Flows (CF) of Technical Provisions. • The Loss Absorbing Capacity ("LAC") of Technical Provisions is set to 0. • Using the relevant Solvency II correlation matrices, the SCR and Basic SCR for the reference undertaking are estimated. • The total Risk Margin is calculated using the equation: $$RM = \sum_{t\geq 0} CoC \cdot SCR_{RU}(t)/(1 + r_{t+1})^{t+1}$$ • The total Risk Margin is allocated to the Lines of Business proportional to the • Technical Provisions
5. Matching Adjustment	• Not applied
6. Volatility Adjustment	• Not applied
7. Transitional Interest Rate and Deductions	• No transitional risk-free interest rate term structure has been applied • No transitional deduction has been applied
8. Use of Non-Standard Methods	• No non-standard methods have been adopted to calculate the Technical Provisions.
9. Appropriateness of IT Systems	• The approach adopted to calculate BBI's Technical Provisions is not unduly complex and therefore not limited by the nature of IT systems.
10. Change of Method	• There have been no material changes in the methods used to determine the Technical Provisions.

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D.3 OTHER LIABILITIES

There are no other technical liabilities to note.

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D.4 ALTERNATIVE METHODS FOR VALUATION

No alternative methods have been used or adopted for the valuation of Technical Provisions.

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E. CAPITAL MANAGEMENT

The 'Capital Management' section of the report describes the internal operational structures or procedures underlying capital management within the Company as well as the projections of capital position over a three-year planning horizon.

The Capital Plan is updated at least annually or more frequently if a material change occurs to the Company's risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

Key elements include:

- Own Funds;
- SCR and MCR

E.1 OWN FUNDS

The Company's Own funds may be comprised of items on the balance sheet which are referred to as basic own funds and off balance sheet items that may be called up to absorb losses referred to as ancillary own funds. This sub-section of the report aims to provide a view of capital management activities in the Company, its capital management methods and the structure, amount and quality of Own Funds.

Composition and Quality of Own Funds

Under Solvency II regulation, capital is referred to as Own Funds and the regulation distinguishes between Basic Own Funds (BOF) and Ancillary Own Funds (AOF). Capital under Solvency II starts with the excess of assets over liabilities as determined by the Balance Sheet. Qualifying subordinated debt is then added to this and the combined amount is known as Basic Own Funds. The whole amount is classified into tiers of Own Funds. Restrictions are applied to limit the extent to which the various components of Own Funds can be used to meet the capital requirements.

The Company's own funds consist of the following items:-

- Issued Share Capital;
- Capital contribution;
- Retained earnings;
- Deferred Tax Asset

Any change to the share capital or capital contribution requires the approval of the Shareholder and the Board. Any other qualifying own fund item requires the review and approval of the Board. In such instances, the Board must ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the capital classification.

In the event that the Company requires an injection of Capital, an extraordinary Board Meeting will need to be convened whereby a request is made to the Shareholder is notified clearly identifying the amount and form of Capital required.

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E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR and MCR requirement section of the report aims to provide a comprehensive view to assess the adequacy of the Company's capital in line with the regulatory requirements.

Tier 1 basic own funds

The basic own funds are classified and tiered. The Company's ordinary share capital is classified as Tier 1 capital and the Company currently has no restricted tier 1 capital. Further to this, the company's own funds also include a reconciliation reserve. In 2019, the Company received capital injections totaling £250,000 during the reporting period from its immediate parent company.

Tier 2 basic own funds

The Company has no Tier 2 basic own funds.

Tier 2 ancillary own funds

The Company currently has no tier 2 ancillary own funds.

Tier 3 basic own funds

Tier 3 capital resources consists of net residual deferred tax assets (this agrees to the net deferred tax position on the Balance Sheet for solo reporting only). As at 31st December 2020, the company's deferred tax asset amounted to £45 thousand.

The following tables reflect the structure, amount, and quality of own funds, as well as BBI's coverage ratios for the financial year end 2020 and the financial year end 2019:

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	Total in £'000		Tier 1 – unrestricted in £'000		Tier 1 - restricted in £'000		Tier 2 in £'000		Tier 3 in £'000	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35										
Ordinary share capital (gross of own shares)	3,926	3,926	3,926	3,926			-	-		
Share premium account related to ordinary share capital	-	-	-	-			-	-		
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	-	2,785	-	2,785			-	-		
Subordinated mutual member accounts	-	-			-	-	-	-	-	-
Surplus funds	-	-	-	-						
Preference shares	-	-			-	-	-	-	-	-
Share premium account related to preference shares	-	-			-	-	-	-	-	-
Reconciliation reserve	-3,166	-3,304	-3,166	-3,304						
Subordinated liabilities	-	-			-	-	-	-	-	-
An amount equal to the value of net deferred tax assets	45	67							45	67
"Other own fund items approved by the supervisory authority as basic own funds not specified above"	2,785	-	2,785	-	-	-	-	-	-	-
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"	-	-								
Deductions										
"Deductions for participations in financial and credit institutions"	-	-	-	-	-	-	-	-	-	-

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	Total in £'000		Tier 1 – unrestricted in £'000		Tier 1 - restricted in £'000		Tier 2 in £'000		Tier 3 in £'000	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total basic own funds after deductions	3,590	3,474	3,545	3,407	-	-	-	-	45	67
Ancillary own funds										
"Unpaid and uncalled ordinary share capital callable on demand	-	-								
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-	-								
Unpaid and uncalled preference shares callable on demand	-	-								
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-	-								
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-	-								
"Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC"	-	-								
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-								
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-								
Other ancillary own funds	-	-								
Total Ancillary own funds	-	-								
Available and eligible own Funds										
Total available own funds to meet the SCR	3,590	3,474	3,545	3,407	-	-	-	-	45	67
Total available own funds to meet the MCR	3,545	3,407	3,545	3,407	-	-	-	-		
Total eligible own funds to meet the SCR	3,590	3,474	3,545	3,407	-	-	-	-	45	67
Total eligible own funds to meet the MCR	3,545	3,407	3,545	3,407	-	-	-	-		
SCR	2,681	2,449								
MCR	2,248	2,127								
Ratio of Eligible own funds to SCR	133.91%	141.86%								

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	Total in £'000		Tier 1 – unrestricted in £'000		Tier 1 - restricted in £'000		Tier 2 in £'000		Tier 3 in £'000	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ratio of Eligible own funds to MCR	157.72%	160.17%								

Reconciliation Reserve in £'000		
	2020	2019
Excess of assets over liabilities	3,590	3,474
Own shares (held directly and indirectly)	0	0
Foreseeable dividends, distributions and charges	0	0
Other basic own fund items	6,756	6,778
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0	0
Reconciliation Reserve	-3,166	-3,304
Expected Profits in £'000		
	2020	2019
Expected profits included in future premium (EPIFP)- Life Business	0	0
Expected profits included in future premium (EPIFP)- Non-Life Business	0	24
Total Expected profits included in future premium (EPIFP)	0	24

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E.2.1 Solvency Capital Requirement (SCR)

The SCR is the amount of funds that the Company is required to hold in line with the Solvency II Directive. The SCR calculation is a formula-based figure calibrated to ensure that all quantifiable risks are taken into account.

The assessment of the SCR using the standard formula approach is based on a modular approach consisting; life, non-life, market, health and counterparty default risks with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the submodule and the main module level. An intangible asset module is then added (uncorrelated) to give the BSCR. The operational risk component and adjustments for risk absorbing effect of future profit sharing and deferred taxes are then allowed for, to give the overall SCR.

The table below highlights the capital requirements for each risk module:

Capital Requirement by Risk Module	Net Solvency Capital requirement £'000 2020	Net Solvency Capital requirement £'000 2019
Market Risk	319	312
Counterparty Default Risk	1,044	903
Non-life Underwriting Risk	1,955	1,644
Diversification	(574)	(514)
Basic Solvency Capital Requirement (BSCR)	**2,745**	**2,345**
Operational Risk	415	561
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	(480)	(458)
Solvency Capital Requirement	**2,681**	**2,449**

E.2.1.A Insurance Risk Module (Underwriting Risk Module)

Non-life underwriting risk mainly arises from:

- £1,892 thousand of Premium and Reserve Risk (pre-diversification benefit) driven by earned premiums, forecast premiums and claims provisions of Non-life lines.
- £207 thousand of Catastrophe Risk (pre-diversification benefit) driven by the Company's exposure to man-made catastrophe and natural catastrophe risks.
- £51 thousand of Lapse Risk (pre-diversification benefit) driven by the Company's exposure to lapse risk

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	Underwriting Risk £'000	
	2020	2019
Premium & Reserve Risk	1,892	1,616
Catastrophe Risk	207	100
Lapse Risk	51	17
Diversification benefit	(194)	(89)
Underwriting Risk	**1,955**	**1,644**

E.2.1.B Market Risk Module

The Market Risk component of SF-SCR is driven by risks inherent within the Company's assets and liabilities portfolio and the main charge for Market Risk SF-SCR over the reporting period of £319 thousand (pre-diversification benefit) arises from Property Risk (£234 thousand), which accounts for 51% of the total market risk (pre-diversification).

E.2.1.C Counterparty Default Risk Module - (Credit Risk Module)

£1,044 thousand Counterparty Default Risk SF-SCR arises from risk of default on Reinsurance Recoverable and Cash at Bank.

E.2.1.D Operational Risk SCR

£415 thousand Operational Risk SF-SCR is driven by technical provisions and earned premium of all lines of business.

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E.2.2 Minimum Capital Requirement (MCR)

The Company uses the Standard Formula to calculate its MCR. The amount of the MCR for the reporting period is £2,248 thousand. The MCR is determined in EUR but reported in GBP.

The following table shows the MCR calculation:

	Overall MCR Calculation £'000	
	2020	2019
Linear MCR	1,091	835
SCR	2,681	2,448
MCR cap	1,206	1,101
MCR floor	670	612
Combined MCR	1,091	835
Absolute floor of the MCR	2,248	2,127
Minimum Capital Requirement (MCR)	**2,248**	**2,127**

Information on the Inputs used to calculate the MCR

The non-life MCR is based on factors applied to net premiums written amounts in the previous 12 months and the net best estimate technical provisions both split by Solvency II class of business. The charge for premium and technical provision elements are then summed to create a total charge:

Calculation of MCR (Inputs)	Net (of reinsurance) best estimate provisions £'000	Net (of reinsurance) written premiums in last 12 months £'000
Miscellaneous financial loss insurance and proportional reinsurance	1,915	3,783
Other Motor and proportional reinsurance	1	11
Assistance and proportional reinsurance	70	3,056

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Capital Management Company Approach

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements (MCR and SCR) required by the Maltese insurance regulator (MFSA);
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and,
- to optimise the quality of available Own Funds, in respect of the capital position of the Company.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders. The Company is required to hold regulatory capital for its general insurance business in compliance with Maltese insurance legislation and the rules issued by the Malta Financial Services Authority (MFSA). The minimum capital requirement must be maintained at all times throughout the year. The Company monitors its capital level on a regular basis, by ensuring that sufficient assets are maintained to match insurance liabilities and to provide solvency cover and that the capital position and surplus are in line with internal and regulatory capital requirements.

As at 31 December 2015 the company was in full compliance with its Solvency I requirements, having capital in excess of the required minimum set by the Regulator.

As from 1 January 2016, the company was subject to the requirements of the EU Solvency II directive. The Solvency II regime establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The company must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator. The Company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2020, the company's eligible own funds of £3.6m adequately covered the capital requirement.

The Company was compliant with its regulatory capital requirements throughout the financial year.

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

The Company did not make use of the duration-based equity risk sub-module in the reporting during the reporting period.

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E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company uses the Standard Formula to calculate the SCR and therefore no differences exist.

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E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

During the reporting period, there were no instances of non-compliance with the Solvency II capital requirements. In addition, the Company held Own Funds in excess of both the SCR and MCR requirements over the reporting period.

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F. APPENDICES

F.1 Public QRTs

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Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	-
R0040	Deferred tax assets	45
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	-
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	935
R0080	*Property (other than for own use)*	350
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	585
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	585
R0130	*Bonds*	-
R0140	*Government Bonds*	-
R0150	*Corporate Bonds*	-
R0160	*Structured notes*	-
R0170	*Collateralised securities*	-
R0180	*Collective Investments Undertakings*	-
R0190	*Derivatives*	-
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	3,216
R0280	*Non-life and health similar to non-life*	3,216
R0290	*Non-life excluding health*	3,216
R0300	*Health similar to non-life*	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	-
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	6,949
R0370	Reinsurance receivables	26
R0380	Receivables (trade, not insurance)	20
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	2,191
R0420	Any other assets, not elsewhere shown	308
R0500	**Total assets**	13,689

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		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,484
R0520	*Technical provisions - non-life (excluding health)*	5,484
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	5,202
R0550	*Risk margin*	283
R0560	*Technical provisions - health (similar to non-life)*	-
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	-
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	-
R0680	*Risk margin*	-
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0730	Other technical provisions	
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	217
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
ER0801	*Debts owed to credit institutions resident domestically*	-
ER0802	*Debts owed to credit institutions resident in the euro area other than domestic*	-
ER0803	*Debts owed to credit institutions resident in rest of the world*	-
R0810	Financial liabilities other than debts owed to credit institutions	-
ER0811	*Debts owed to non-credit institutions*	-
ER0812	*Debts owed to non-credit institutions resident domestically*	-
ER0813	*Debts owed to non-credit institutions resident in the euro area other than domestic*	-
ER0814	*Debts owed to non-credit institutions resident in rest of the world*	-
ER0815	*Other financial liabilities (debt securities issued)*	-
R0820	Insurance & intermediaries payables	1,830
R0830	Reinsurance payables	1,667
R0840	Payables (trade, not insurance)	901
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	10,099
R1000	**Excess of assets over liabilities**	3,590

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	Non-Life Technical Provisions	Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0020	Direct business					-	-	-	-	-	-	-	-					-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole					-	-	-	-	-	-	-	-					-
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	**Gross - Total**	-	-	-	-	(0)	-	-	-	-	-	351	3,548	-	-	-	-	3,898
R0070	Gross - direct business	-				(0)	-	-	-	-	-	351	3,548					3,898
R0100	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for e	-	-	-	-	-	-	-	-	-	-	298	2,110	-	-	-	-	2,408
R0110	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adju*	-				-	-	-	-	-	-	298	2,110					2,408
R0120	*Recoverables from SPV before adjustment for expected losses*	-				-	-	-	-	-	-	-	-					-
R0130	*Recoverables from Finite Reinsurance before adjustment for expected losses*	-				-	-	-	-	-	-	-	-					-
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for ex	-				-	-	-	-	-	-	281	2,108					2,390
R0150	**Net Best Estimate of Premium Provisions**	-	-	-	-	(0)	-	-	-	-	-	70	1,439	-	-	-	-	1,509
	Claims provisions																	
R0160	**Gross - Total**	-	-	-	-	2	-	-	-	-	-	-	1,302	-	-	-	-	1,303
R0170	Gross - direct business	-				2	-	-	-	-	-	-	1,302					1,303
R0200	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for e	-	-	-	-	1	-	-	-	-	-	-	826	-	-	-	-	826
R0210	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adju*	-				1	-	-	-	-	-	-	826					826
R0220	*Recoverables from SPV before adjustment for expected losses*	-				-	-	-	-	-	-	-	-					-
R0230	*Recoverables from Finite Reinsurance before adjustment for expected losses*	-				-	-	-	-	-	-	-	-					-
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for ex	-				1	-	-	-	-	-	-	825					826
R0250	**Net Best Estimate of Claims Provisions**	-	-	-	-	1	-	-	-	-	-	-	476	-	-	-	-	477
R0260	**Total best estimate - gross**	-	-	-	-	2	-	-	-	-	-	351	4,849	-	-	-	-	5,202
R0270	**Total best estimate - net**	-	-	-	-	1	-	-	-	-	-	70	1,915	-	-	-	-	1,986
R0280	**Risk margin**					0	-	-	-	-	-	10	273					283
	Amount of the transitional on Technical Provisions																	
R0290	TP as a whole					-	-	-	-	-	-	-	-					-

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	3,926	3,926		-	
R0030	Share premium account related to ordinary share capital	-	-		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	2,785	2,785		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	(3,166)	(3,166)			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	45				45
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	-
R0290	**Total basic own funds after deductions**	3,590	3,545	-	-	45
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-			-	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-			-	
R0320	Unpaid and uncalled preference shares callable on demand	-			-	-
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-			-	-
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	-
R0390	Other ancillary own funds	-			-	-
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	3,590	3,545	-	-	45
R0510	Total available own funds to meet the MCR	3,545	3,545	-	-	
R0540	Total eligible own funds to meet the SCR	3,590	3,545	-	-	45
R0550	Total eligible own funds to meet the MCR	3,545	3,545	-	-	
R0580	**SCR**	2,681				
R0600	**MCR**	2,248				
R0620	**Ratio of Eligible own funds to SCR**	133.91%				
R0640	**Ratio of Eligible own funds to MCR**	157.72%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	3,590
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	6,756
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
R0760	**Reconciliation reserve**	(3,166)
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	-
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-
R0790	**Total Expected profits included in future premiums (EPIFP)**	-

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Solvency Capital Requirement - for undertakings on Standard Formula

Z0010 | Article 112 | **Regular reporting**

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
		C0030	C0040	C0050	C0090	C0120
R0010	Market risk	319	319	-		
R0020	Counterparty default risk	1,044	1,044	-		
R0030	Life underwriting risk			-		
R0040	Health underwriting risk			-		
R0050	Non-life underwriting risk	1,955	1,955	-		
R0060	Diversification	(574)	(574)			
R0070	Intangible asset risk	-	-			
R0100	**Basic Solvency Capital Requirement**	2,745	2,745			

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	415
R0140	Loss-absorbing capacity of technical provisions	-
R0150	Loss-absorbing capacity of deferred taxes	(480)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	2,681
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	2,681
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

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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
R0010	MCR_{NL} Result	1,091

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	-	-
R0030	Income protection insurance and proportional reinsurance	-	-
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	-	-
R0060	Other motor insurance and proportional reinsurance	-	-
R0070	Marine, aviation and transport insurance and proportional reinsurance	1	11
R0080	Fire and other damage to property insurance and proportional reinsurance	-	-
R0090	General liability insurance and proportional reinsurance	-	-
R0100	Credit and suretyship insurance and proportional reinsurance	-	-
R0110	Legal expenses insurance and proportional reinsurance	-	-
R0120	Assistance and proportional reinsurance	70	3,056
R0130	Miscellaneous financial loss insurance and proportional reinsurance	1,915	3,783
R0140	Non-proportional health reinsurance	-	-
R0150	Non-proportional casualty reinsurance	-	-
R0160	Non-proportional marine, aviation and transport reinsurance	-	-
R0170	Non-proportional property reinsurance	-	-

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0.00

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

	Overall MCR calculation	C0070
R0300	Linear MCR	1,091
R0310	SCR	2,681
R0320	MCR cap	1,206
R0330	MCR floor	670
R0340	Combined MCR	1,091
R0350	Absolute floor of the MCR	2,248
R0400	**Minimum Capital Requirement**	2,248

PKF Assurance (Malta) Limited
Signed for identification
purposes only

PKF Assurance (Malta) Limited

Accountants &
business advisers

Approved Auditor's Report

Report of the approved auditor to the directors of Building Block Insurance PCC Limited (the "Company") pursuant to paragraph 8.10.2 and Annex V to Chapter 8 of the Insurance Rules issued under the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) (the "Act")

Opinion

We have audited the following annexed documents prepared by the Company as at 31 December 2020, which we have initialled for identifications purposes only:

- Annual quantitative templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ("the relevant templates"); and
- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report (the "relevant information").

The relevant templates and the relevant information specified above have been prepared by the Company in accordance with the Act, Regulations and Insurance Rules issued thereunder (as applicable), the Commission Delegated Regulation (EU) 2015/35 and the European Commission Implementing Regulation (EU) 2015/2452, (hereafter referred to as "the relevant legislation").

In our opinion, the information contained in the relevant templates and the relevant information of the Company as at 31 December 2020 as specified above, are properly prepared, in all material respects, in accordance with the relevant legislation.

We are not required to audit, nor have we audited, and, as a consequence do not express any form of assurance on other templates or other information included in the Solvency and Financial Condition Report.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with the ethical requirements that are relevant to our audit in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), 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.

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Approved Auditor's Report (continued)

Report of the approved auditor to the directors of Building Block Insurance PCC Limited (the "Company") pursuant to paragraph 8.10.2 and Annex V to Chapter 8 of the Insurance Rules issued under the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) (the "Act")

Responsibilities of the Directors

The Board of Directors shall be responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions contained in the relevant legislation referred above. In accordance with section 8.9 of Chapter 8 of the Insurance Rules, the Board of Directors is responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The Board of Directors is also responsible to have the necessary internal controls to enable the preparation of the Solvency and Financial Condition Report which is free from material misstatement, whether due to fraud or error. The Board of Directors is responsible for overseeing the Company's financial reporting process.

In approving the relevant templates and the relevant information, the Board of Directors shall be satisfied that, throughout the financial year in question, the Company has complied with the requirements of the relevant legislation as applicable to the Company.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the amounts and disclosures in the relevant templates and the relevant information specified above have been prepared in all material respects in accordance with the relevant legislation, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 economic decisions of users taken on the basis of the relevant templates and the relevant information specified above.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

If we become aware of any apparent material misstatements or inconsistencies within the relevant templates and the relevant information, we consider the implications for our report.

Approved Auditor's Report (continued)

Report of the approved auditor to the directors of Building Block Insurance PCC Limited (the "Company") pursuant to paragraph 8.10.2 and Annex V to Chapter 8 of the Insurance Rules issued under the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) (the "Act")

Distribution of our report

Our report is made solely to the directors of the Company as its governing body, in accordance with the requirement of paragraph 8.10.2 and Annex V to Chapter 8 of the Insurance Rules issued under the Act. It is prepared solely for this purpose and it should not be otherwise distributed, quoted or referred to, on whole or in part, other than to the Malta Financial Services Authority.

The principal in charge of the audit resulting in this independent auditor's report is Mrs. Donna Greaves for and on behalf of

PKF Assurance (Malta) Limited

Registered Auditors

15, Level 3, Mannarino Road, Birkirkara BKR 9080, Malta

1st April 2021