

Notes to the financial statements

For the year ended 31 December 2020

3. Risk management continued

3.5 Operational risk

This is the risk of loss due to inadequate or failed internal processes, people, systems or from external events. Material sources of operational risk for the Company include:

Outsourcing risk

This is the risk of failing to implement a robust framework for the sourcing, appointment and ongoing contract management of third-party suppliers, outsourced service providers and intragroup relationships. This includes both domestic and offshore outsourcing activities.

Information security risk

This is the risk of loss, corruption to Company or customer data or intellectual property or failure of business-critical systems, resulting in reputational damage, regulatory censure, supervision, fines and/or loss of competitive advantage.

The Company has in place agreed policies and standards to manage key controls relating to operational risk.

3.6 Liquidity risk

This is the risk of being unable to access cash from the sale of investments or other assets in order to settle financial obligations as they fall due.

The measurement and management of liquidity risk within the Company is undertaken within the limits and other policy parameters of the Company's liquidity risk appetite and is detailed within the liquidity risk minimum standard. As part of this process the Investment and Treasury team are required to put in place a liquidity plan which must consider expected and stressed scenarios for cash inflows and outflows that is reviewed at least annually by the Investment Committee. Compliance is monitored in respect of both the minimum standard and the regulatory requirements of the PRA.

Cash at bank and in hand includes money market funds with no notice period for withdrawal. Cash at bank and in hand and total debtors are due on demand and the reinsurers' share of technical provisions match the maturity of the technical provisions.

The following table analyses the undiscounted cash flows of insurance and financial liabilities by expected maturity date.

	Within 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total	Carrying value
At 31 December 2020	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance liabilities	130	1,021	1,091	3,419	79,798	85,459	29,118
Other creditors including taxation and social security	131	–	–	–	–	131	131
Total	261	1,021	1,091	3,419	79,798	85,590	29,249

	Within 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total	Carrying value
At 31 December 2019	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance liabilities	473	1,161	1,255	3,950	95,794	102,633	28,457
Other creditors including taxation and social security	89	–	–	–	–	89	89
Total	562	1,161	1,255	3,950	95,794	102,722	28,546