Solvency and Financial Condition Report

December 2018

Issued: April 2019
Approved by the B.O.D.: 22 April 2019

Elmo Insurance Ltd
Abate Rigord Street
Ta' Xbiex   XBX 1111
Malta

Contents

1. Executive Summary

The Directors of Elmo Insurance Limited ("the Company") present the Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2018.

The principal activities of the Company are that of an insurance company licenced in terms of the Insurance Business Act, 1998 (Chapter 403 of the Laws of Malta) by the Malta Financial Services Authority ("MFSA") to write general business in Malta.

1.1 Business and Performance

During the year under review the company registered a profit before tax of €1,321K compared to €2,720K in 2017. The charge to taxation amounted to €335K compared to €978K in 2017.

The company's financial position further strengthened during the year. Shareholders' funds amounted to €18,626K at 31 December 2018. At the end of 2017, shareholders' funds totalled €18,140K.

Our Solvency II Capital Requirement ratio as at 31 December 2018 increased to 242% (2017: 220%) mainly as a result of a reduction in market risk.

1.2 Systems of Governance

Elmo Insurance effectively meets all regulatory organisational and governance requirements in terms of having the necessary corporate governance structure in place and having filled the necessary key functions with skilled function holders.

The Company has implemented numerous formal policies, which are reviewed on a yearly basis, systems and processes which are effected by the management team to provide reasonable assurance regarding:

1. Achievement of the Company's objectives
2. Effectiveness and efficiency of operations
3. Reliability of financial and non-financial reporting
4. Adequate control of risks
5. A prudent approach to business
6. Compliance with applicable legislation.

The Company has established a sound control environment by adopting the 'three lines of defence' model, which provides a simple and effective way to enhance communications on risk management and internal control by clarifying essential roles and responsibilities.

The Senior Management team and the Executive Directors are responsible to set the tone at the top and provide foundation and create discipline and structure for an effective control environment. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility and organises and develops people; and the attention and direction provided by the Board.

1.3 Risk Profile

Elmo Insurance Limited has adopted an Enterprise-Wide Risk Management ("ERM") approach. The ERM approach means that the Company looks at all the risks that it faces across all of the operations that it undertakes. Many risks are interrelated and traditional risk management fails to address the relationship between risks. With the ERM approach, the relationship between risks is identified by the fact that two or more risks can have an impact on the same activity or objective.

The risk management strategy employed by the Company revolves around three main principles:

- Governance
- Risk Ownership
- Risk Culture

The Company has developed a risk register which formally acknowledges the risks identified by the Company, the threats and opportunities arising from such risks, the department/function responsible for overseeing such risks as well as the controls in place to mitigate the risks.

1.4 Solvency Position and Capital Management

Since Solvency II came into force on 1 January 2016 the valuation of the Balance Sheet and the SCR is carried out on a quarterly basis by running the standard-formula-based capital model provided by an external firm and performing stress and sensitivity tests.

In relation to the Solvency II Balance Sheet, specific valuation rules are defined in Solvency II for several Balance Sheet items that differ from the accounting rules as laid out in the International Financial Reporting Standards as adopted by the EU ("IFRS"), which is the basis on which the Annual Financial Statements of the Company are published.

The Company's Solvency position as at 31 December 2018 was as follows:

Solvency Position	2018 € '000s	2017 € '000s
Company's Own Funds	**19,287**	**18,574**
Solvency Capital Requirement	7,957	8,458
Solvency Margin cover	**242%**	**220%**
Minimum Capital Requirement	3,700	3,700
MCR cover	**521%**	**502%**

Sub-modules SCR	2018 € '000s	2017 € '000s
Market	6,900	8,025
Default	2,900	2,246
Health	651	764
Non-life	4,267	3,879
Diversification Benefit	(3,997)	(3,855)
Basic SCR	**10,720**	**11,058**

SCR	2018 € '000s	2017 € '000s
Basic SCR	10,720	11,058
Operational	745	545
LACDT	(3,508)	(3,144)
Total	**7,957**	**8,458**

Notwithstanding the reduction in market risk in 2018, the largest risk module under the SCR computation is market risk, mainly due to the holdings in equities and foreign currency investments. If necessary, the Company may reduce relatively easily the capital requirements by transferring its exposure to assets which attract lower capital charges.

In comparison, the insurance risk is not material. Any strategic changes on the insurance business will have a very small impact on the SCR mainly due to the comprehensive reinsurance programme with a panel of highly rated reinsurers, which reduces significantly the Company's net exposure. In fact, strategic decisions on core insurance operations would need to be significant in order to impact materially on the SCR.

2. Business and Performance

2.1 Business

Basic Information

Name of the undertaking:	Elmo Insurance Limited
Company number:	C3500
Registered address:	"Elmo" Abate Rigord Street Ta'Xbiex Malta
Legal status:	an insurance company licensed in terms of the Insurance Business Act, 1998 (Chapter 403 of the Laws of Malta) by the MFSA to write general business in Malta.
Directors:	David Bartoli (Managing Director) William Harding (Chairman) Alan Bartoli John Cooper Roger Bellamy Godfrey Leone Ganado

The Company offers its services via staff at head office, 8 branch offices and a number of insurance brokers and tied insurance intermediaries. The details of the branch offices, brokers and intermediaries can be found on the Company's website.

Name of supervisory authority:	Malta Financial Services Authority
Contact details:	Malta Financial Services Authority Notabile Road Attard, BKR3000 Malta Tel: +356 2144 1155 www.mfsa.com.mt
Name of the external auditor:	PricewaterhouseCoopers

Contact details: 78 Mill Street
Qormi
Malta

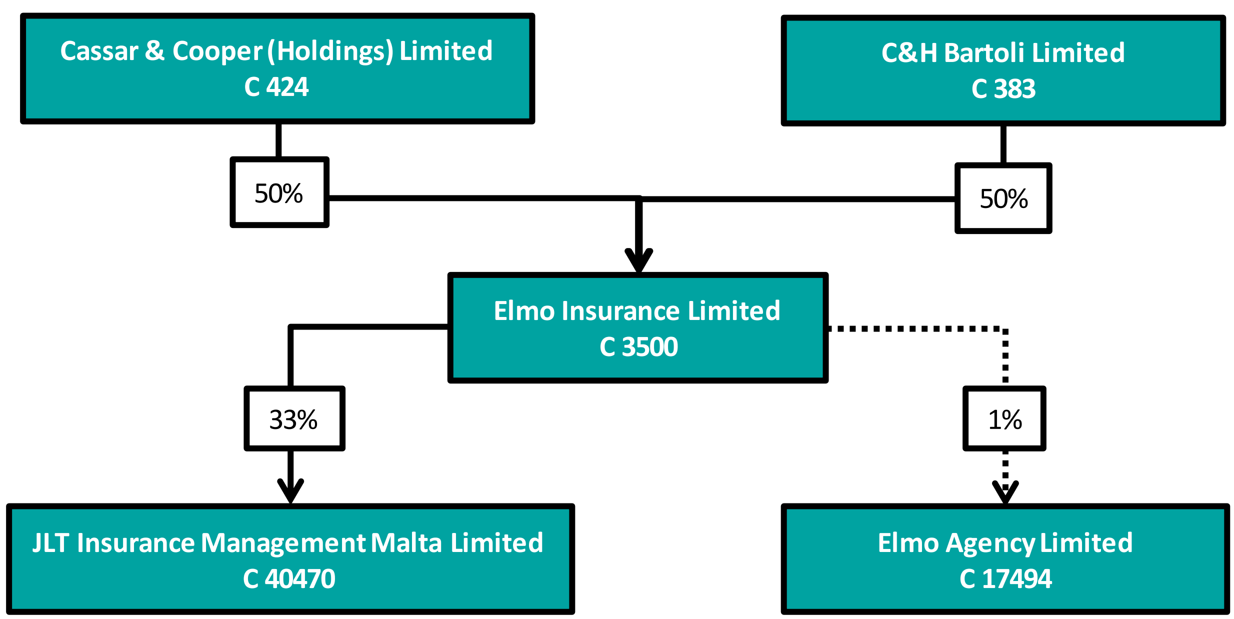
Material Lines of Business

Elmo Insurance Limited is authorised to write most classes of non-life business, including health insurance and is regulated by the MFSA. The following are the material lines of business which the Company writes within the classes of Solvency II:

- Fire and other damage to property insurance
- Medical expense insurance
- Other motor insurance
- Motor liability insurance
- Workers' compensation insurance

Ownership structure

EIL is owned on a 50%-50% basis by C & H Bartoli Ltd and Cassar and Cooper (Holdings) Ltd respectively as represented in the structure hereunder:



Material Transactions with Shareholders and Members of the Board of Directors

Trading transactions with related parties and year end balances arising from these transactions are disclosed in Note 25 to the Company's financial statements.

2.2 Underwriting Performance

Malta's vibrant economy, reflected by GDP growth estimated to be 5.4% for 2018, is having a significant bearing on the local insurance market and has had a positive impact on the Company's premium base. Gross premiums written in respect of risks situated in Malta increased from €17,982K in 2017 to €20,085K in 2018, an increase of 11.7%, achieved after registering a 15% increase in 2017. The positive trend has continued in the first three months of 2019.

In December 2017, the company submitted notice to the MFSA of its intention to carry on business of insurance under the provisions of freedom to provide services in 23 states forming part of the EU and EEA for Class 1 - Accident and Class 2 - Sickness. On 29 December 2017, the MFSA issued its authorisation to the company to carry on business of insurance under the provisions of freedom to provide services in terms of the company's notice.

As a consequence, in 2018 an additional €4,151K of premium was generated through this development, which contributed to boost our combined local and wider EU business premiums to €24,236K.

Our overall net loss ratio increased marginally from 65% in 2017 to 66% in 2018.

The Company's net operating expenses decreased from €2,848K in 2017 to €2,775K in 2018, mainly due to additional income arising from the unwinding of certain reinsurance arrangements. The Company's combined operating ratio decreased to 81% from the previous year's 86%, which reflects the improved underwriting results.

In recent years considerable resources and efforts were placed into ensuring that we were well prepared for the introduction of Solvency II, the Insurance Distribution Directive ("IDD") and the General Data Protection Regulation ("GDPR"). Thanks to the large amount of preparation which was carried out by all members of staff, in particular those in the forefront of setting up the correct governance structures, the Company was able to meet all regulatory requirements across all the three Pillars of Solvency II. The Company was also well positioned to cater for the necessary additional requirements emanating from the entry into force of the IDD in tandem with the Conduct of Business Rulebook on the 1st of October 2018. Furthermore, the Company has been working towards meeting all the requirements of the IDD and has provided training to key staff members and has nominated persons within the organisation to lead the project. In addition, the Company has appointed a Director responsible for oversight of Distribution activities as well as a Manager in accordance with MFSA requirements. The Company meets all regulatory, organisational and governance requirements in terms of having the necessary corporate governance structure in place and having filled the necessary key functions with skilled function holders. The Company Compliance Officer continually updates Senior Management and the Board of Directors on any new legislation and regulatory requirements on the horizon, together with their potential impacts on the business. The Company's Board of Directors recognises the endeavours of the management team who have clearly demonstrated their dedication and commitment to the Company by dealing with the challenges encountered.

At the beginning of 2019, the Company secured final planning permission from the relevant authorities to develop the site adjacent to the Company's head office into additional office space. The Company continued to increase its property holdings with the addition of another property bordering the main offices, acquired for €1.5m during the year.

The tables below show a breakdown of the Company's underwriting performance for all material lines of business for the year ending 31 December 2018:

	Gross premiums written		Gross premiums earned	
	2018	2017	2018	2017
	€ '000s	€ '000s	€ '000s	€ '000s
Fire and other damage to property insurance	**5,057**	4,433	**4,795**	4,224
Medical expense insurance	**4,390**	232	**3,696**	247
Other motor insurance	**4,379**	3,887	**4,150**	3,600
Motor vehicle liability insurance	**7,813**	7,036	**7,467**	6,505
Workers' compensation insurance	**746**	643	**708**	620
Other lines of business	**1,851**	1,751	**1,770**	1,765
Total	**24,236**	17,982	**22,586**	16,960

	Gross claims incurred		Gross operating expenses		Reinsurance balances	
	2018	2017	2018	2017	2018	2017
	€ '000s	€ '000s	€ '000s	€ '000s	€ '000s	€ '000s
Fire and other damage to property insurance	**1,619**	1,222	**1,345**	1,221	**1,075**	1,186
Medical expense insurance	**546**	90	**1,592**	18	**1,398**	39
Other motor insurance	**2,554**	2,442	**1,032**	953	**215**	193
Motor vehicle liability insurance	**5,488**	4,765	**1,846**	1,723	**(80)**	42
Workers' compensation insurance	**223**	145	**177**	166	**156**	144
Other lines of business	**780**	355	**471**	505	**312**	382
Total	**11,211**	9,018	**6,463**	4,586	**3,075**	1,987

Included with medical expense insurance is €4,151K of premium written under the provisions of freedom to provide services in other EU and EEA jurisdictions. All remaining gross premiums written emanate from contracts concluded in or from Malta. Other than the home country, the most material geographical location is Germany where 85% of the foreign business is written. Business written in Malta and in Germany represents 97% of the total premium written by the Company in 2018.

The reinsurance balance represents a charge or credit to the technical account arising from the aggregate of all items relating to reinsurance outwards.

2.3 Investment Performance

The Company registered an average net negative return on its investment portfolio of 5.5% in 2018 compared to a 4.8% gain in 2017. The loss was almost solely attributable to foreign equities, and was cushioned to some extent by substantial gains made in local equites and local bonds, which at year end make up 22% of the Company's investment portfolio.

Despite the tremendous volatility experienced within the financial markets, we are pleased to confirm that during the first quarter of 2019, we recovered all our 2018 investment loss.

The table below shows a breakdown of the Company's investment performance for the year ending 31 December 2018:

	2018 € '000s	2017 € '000s
Dividends received from investments at fair value through profit or loss	**349**	224
Net gains from financial investments at fair value through profit or loss	**(1,596)**	886
Interest receivable in relation to other loans and receivables	**(4)**	1
Share of gains of associated undertaking	**71**	62
Income from investment property	**28**	-
	(1,152)	1,173
Investment expenses and charges	**(80)**	(81)
Total investment return	**(1,232)**	1,092

2.4 Summary of material changes

During 2018, the only significant change has been that the Company has obtained license from the MFSA to carry on business of insurance under the provisions of freedom to provide services in 23 member states forming part of the EU and EEA for Class 1 – Accident, and Class 2 – Sickness.

3. Systems of Governance

3.1 General Information on the Systems of Governance

Elmo Insurance Limited has adopted an Enterprise-Wide Risk Management ("ERM") approach. The ERM approach means that the Company looks at all the risks that it faces across all of the operations that it undertakes. Many risks are inter-related and traditional risk management fails to address the relationship between risks. With the ERM approach, the relationship between risks is identified by the fact that two or more risks can have an impact on the same activity or objective.

The Company has structured its ERM Framework on the updated COSO framework. The framework emphasises that ERM is a continuous process which surrounds the strategy and business objectives with the aim of enhancing performance. The diagram below depicts the COSO ERM Framework:

The risk management strategy employed by the Company revolves around three main principles:

- Governance
- Risk Ownership
- Risk Culture

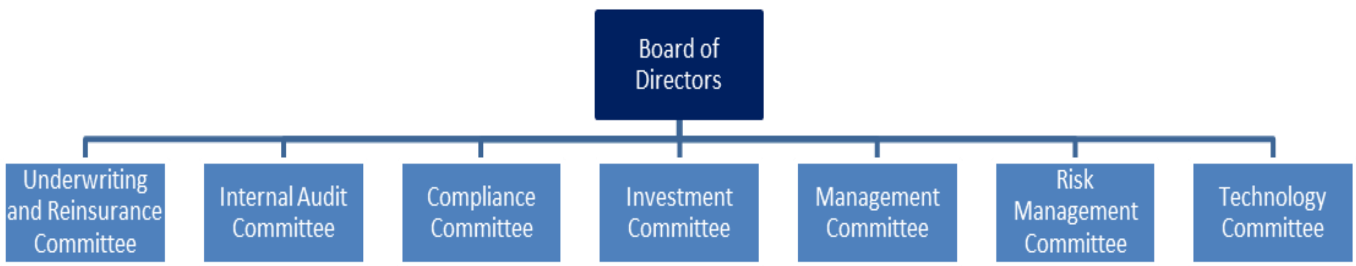
These principles are defined further below.

Governance

The Company has over the past several years implemented numerous formal policies, the majority of which are reviewed on a yearly basis, systems and processes which are effected by the management team to provide reasonable assurance regarding:

1. Achievement of the Company's objectives
2. Effectiveness and efficiency of operations
3. Reliability of financial and non-financial reporting
4. Adequate control of risks
5. A prudent approach to business
6. Compliance with applicable legislation.

The Company has established a number of Board Committees and drawn Terms of Reference for each including clear reporting lines. The Company's governance and corporate structure is laid out below:



Responsibilities of the Board of Directors

The Board of Directors ("the Board") is appointed to act on behalf of the shareholders and to appoint a management team to run the day to day affairs of the business. The Board is directly accountable to the shareholders and is responsible for holding regular Board meetings including a statutory annual general meeting during which the directors must provide a report to the shareholders on the performance of the Company, what its future plans and strategies are.

The primary objective of the Board is to ensure the company's prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the Board deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. In this respect the Board has to ensure strict adherence to all relevant laws and regulations.

The Board comprises a mix of executive and non-executive independent directors in order to allow it to be objective in its decision making. Furthermore, all members of the Board satisfy the fitness and properness criteria as required by the Company.

The Board is responsible for ensuring the effectiveness of the risk management system, setting risk appetite and overall tolerance limits as well as approving the main risk management strategies and policies. The Board has appointed an executive Director to oversee the risk management system on the Board's behalf.

Underwriting and Reinsurance Committee

The Underwriting and Reinsurance Committee was set up since the commencement of the Company's Insurance operations. Membership comprises of two executive directors, a non-executive director and various underwriting and reinsurance managers. The committee's responsibilities are to ensure that the Company complies with all underwriting and reinsurance policies and advise/monitor/instruct all members of staff in the insurance technical issues of the Company.

Audit Committee

The Audit Committee is performed by the Board of Directors and is responsible for the effectiveness of the systems of internal control and for monitoring the effectiveness and objectivity of the internal auditors.

The main responsibilities of the Audit Committee are twofold:

- Financial Reporting responsibilities, including reviewing and challenging the actions and judgements of management in relation to the Company's financial statements and monitoring the statutory audit of the Company's annual financial statements; and
- Internal Audit responsibilities; including reviewing the internal audit plan and internal audit reports and ensure the internal audit function maintains independence and is adequately resourced and has the appropriate standing within the Company, receiving a report on the results of the internal auditor's work on a periodic basis and monitoring management's responsiveness to the internal auditor's findings and recommendations.

Compliance Committee

The role of the Compliance Committee is to assist the Board in fulfilling their governance and oversight responsibilities for monitoring business conduct and compliance with laws, regulations, relevant codes of conduct and related corporate governance issues.

The responsibilities include:

- providing recommendations to the Board on the Company's attitude towards regulatory compliance;
- maintaining oversight of the Company's regulatory compliance processes and procedures and monitoring their effectiveness;

- ensuring that the Compliance Function is adequately resourced and that it has appropriate standing within the Company;
- keeping up-to-date with developments and prospective changes in the regulatory environment;
- monitoring the activities of all Tied Insurance Intermediaries and ensuring that these comply and conduct business in accordance with the respective appointment agreement and relevant rules and regulations; and
- considering other topics, as referred to it from time to time by the Board.

Investment Committee

The function of the Investment Committee is to secure the safety, yield and marketability of the Company's investments, ensuring that the investments are diversified and adequately spread in accordance with good risk management practise.

The Investment Committee is responsible to formulate the investment policy and guidelines and ensure that systems are in place to ensure that the agreed investment strategy is implemented including monitoring the work carried out by the investment manager and the credit-worthiness of investment exposures.

Management Committee

The Management Committee offers the right forum for the Senior Management Team to report to the Board on matters such as insurance market developments, staff developments and sales initiatives.

Risk Management Committee

The Board set up a Risk Management Committee to assist the Board in discharging its responsibilities for the management and controlling of the significant risks to which the Company may be exposed. This Committee is responsible for:

- assisting the Board in setting a strategy for risk management which includes risk management objectives, key risk management principles, risk appetite and tolerance limits and assignment of responsibilities across all the activities of the company which is consistent with the company's overall business strategy;
- developing adequate risk management policies that include a definition and categorization of the material risks faced by the company;
- building a culture that is aware of the risks and encouraging risk management ideologies throughout the company;
- designing and reviewing formal processes for risk management including the Own Risk and Solvency Assessment ("ORSA");
- supporting the development of risk response processes including contingency and business continuity plans; and
- preparing reports on significant risk issues for the Board.

Technology Committee

The role of the Technology committee is to discuss the operational technology requirements of the Company. The committee is responsible to:

- identify the core operational technology requirements of every business function which support the business strategy of the Company;
- identify internal controls to be incorporated into the systems;
- draft IT policies supporting these internal controls;
- review current and future technologies to identify opportunities to increase the efficiency of IT resources;
- monitor and evaluate technology projects; and
- provide advice and recommendations to the Board of Directors on technology strategies and investments.

Risk Ownership

The concept of risk ownership is to assign risks to the most appropriate person within the Company, usually the person with most influence over the activity. This is because risks that are not owned are often not managed. Therefore, clarity about personal responsibilities is important to process effectiveness.

The risk owner may delegate tasks to members of their team; however s/he ultimately remains responsible for the management of the risk.

Risk Culture

Risk culture is a term describing the values, beliefs, knowledge and understanding about risk shared by a group of people with a common purpose, in particular the employees of an organisation.

The Company's culture reflects the entity's ethics: the values, beliefs, attitudes, desired behaviours, and understanding of risk. Culture supports the achievement of the Company's mission and vision. Through a risk-aware culture, the Company stresses the importance of managing risk and encourages transparent and timely flow of risk information.

The Company needs to take risks to achieve its objectives. Defining risk culture is important as an inappropriate risk culture will inadvertently lead in allowing activities that are contrary to the Company's stated policies and procedures.

The Board is committed to creating a culture where effective risk management is an integral part of the way people work and strives to implement the correct risk culture through the following 5 main components:

1. Strong leadership
2. Involvement of all stakeholders in all stages of the risk management process
3. Emphasis of training in risk management procedures and internal controls

4. Accountability for actions
5. Communication and openness on all risk management issues

The defined risk appetite and tolerance limits forms part of the risk culture the Board wishes to pass on to Management and employees as they provide guidance on the risks which the Company is willing to take to achieve the strategic goals.

The Company has a remuneration policy in place to ensure that the remuneration awards do not threaten the Company's ability to maintain an adequate capital base and remuneration arrangements with service providers do no encourage risk-taking that is excessive in view of the Company's risk management strategy and long-term interests. Details of the remuneration to directors are found in Note 6 to the Financial Statements.

3.2 Fit and Proper Requirements

The Company has in place a fit and proper policy which sets out the procedure for assessing the fitness and propriety of the persons who effectively run the undertaking or have other key functions, both when being considered for the specific position and on an on-going basis.

Prior to appointment of a Director, a General Manager, a Senior Manager, a Person responsible for a Key Function or a Person having critical functions if such a person performs functions of specific importance of the undertaking in view of the Company's business and organisation, the individual will be required to provide to the Company the following documentation:

- a duly completed Personal Questionnaire;
- a duly completed Conflict of Interest Questionnaire;
- Curriculum Vitae;
- copies of major qualification certificates;
- copies of reference letters; and
- copy of Police Conduct Certificate.

These shall be considered together with a list of people, management and business skills to determine whether the person is fit and proper.

For key functions, approval from the MFSA is required prior to appointment by the Company's Board.

On annual basis the Board carries out a self-assessment and an assessment of General Managers, Senior Managers and Persons responsible for Key Functions in order to confirm that these are still 'fit and proper'. In particular, they are required to confirm on an annual basis that the replies contained in the Personal Questionnaire and in the Conflict of Interest Questionnaire submitted by them upon engagement are still valid and that no material changes known to them have occurred.

3.3 Risk Management System including the Own Risk and Solvency Assessment

The Board has taken active steps to implement an embedded risk management system in the Company. Implementing the risk management system was not viewed as a tick-box exercise to satisfy regulation requirements arising from Solvency II and the Insurance Business Act, but as a structure for adequate risk management, which will result in numerous benefits to the Company, including, but not limited to, reduction of exposure to certain hazard risks and an increased ability to fulfil Company objectives.

For a risk management system to be effective, the risk management system covers all significant risks and requires the following:

- A risk management strategy – the strategy includes the risk management objectives, key risk management principles, risk appetite and tolerance limits and assignment of responsibilities across all the activities of the Company. Critical to an effective risk management strategy is alignment to the Company's overall business strategy.

- Processes and procedures – these are in place to enable the Company to identify, assess, manage, monitor and report the risks it is exposed to.

- A risk management policy – the policy includes a definition and categorisation of all the significant risks which the Company faces, by type, and the levels of acceptable risk limits for each risk type. It also documents how the Company should implement its risk strategy, facilitate control mechanisms and takes into account the nature, scope and time horizon of the business and the risks associated with it.

- Internal reporting procedures – these have been set up to ensure that the information on the risk management system is actively monitored and managed by all relevant staff and the Board. This includes reports submitted to the Risk Management Committee and to the Board.

- An appropriate ORSA process. The Company conducts and prepares an ORSA document on an annual basis, or immediately following the identification of any significant change to Company's risk profile, whichever is the earlier. The ORSA document, which is drafted following the input of all key functions and senior management, provides a description of:
    - all material risks from all assets and liabilities identified by the Company;
    - management practices, systems and controls, including risk mitigation for these risks;
    - the quality of processes and inputs, and in particular the related governance issues in place;
    - the link between business planning and the overall solvency needs;
    - explicit identification of possible emerging risk scenarios; and
    - assessment of potential stresses.

  The Company assesses its overall solvency needs and expresses the overall solvency needs in quantitative terms, while complementing the quantification by a qualitative description of the material risks.

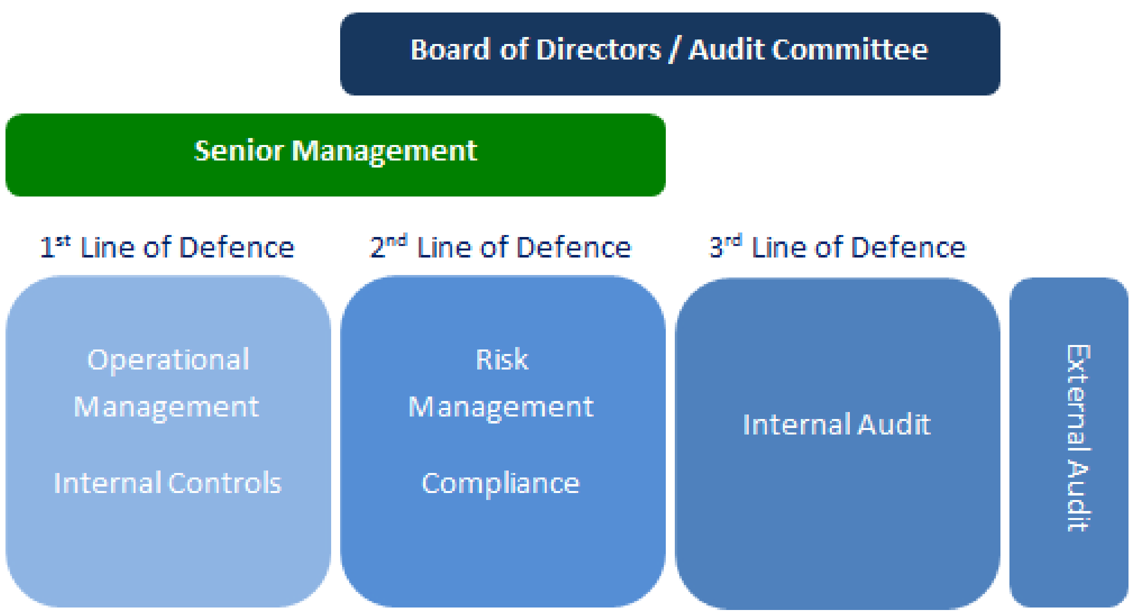
The assessment of the Company's own risks forms an important part of the decision-making process of the Company. The determination of the overall solvency needs contributes to assessments of whether to retain or transfer risk and how best to optimise the Company's capital management. In this respect, the ORSA allows the Company to assess its overall solvency needs to match its exposure to risk. In light of the above, the overall solvency needs bring together the Company's risk profile and its approved risk tolerance limits.

The ORSA is reviewed and approved by the Board of Directors, following which its results and conclusions are communicated to all relevant staff.

The results of the last ORSA process are documented in Section 6.1.

3.4 Internal Control System

An effective risk management system also requires to be supported by a suitable internal control system. To this effect, the Board of Directors has adopted the Three Lines of Defence Model which provides a simple and effective way to enhance communications on risk management and internal control by clarifying essential roles and responsibilities and this is depicted in the following diagram:



Three Lines of Defence Model

The Senior Management team is responsible to set the tone at the top and provide foundation and create discipline and structure for an effective control environment. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility and organises and develops people; and the attention and direction provided by the Board.

Primary responsibility for the application of the Risk Management Function lies with Operational Management – the first line of defence. Operational management has ownership, responsibility and accountability for assessing, controlling and mitigating risks together with maintaining effective internal controls.

Support for and challenge on the risk management activities including the identification, measurement, monitoring, management and reporting of risk are performed by the Risk Management Function, the Compliance Officer and the respective Board Committees set up by the Board, each having their own separate terms of reference – the second line of defence.

Independent and objective assurance on the robustness of the Risk Management Function and the appropriateness and effectiveness of internal control is provided by the Internal Auditors. In order to maintain complete independence, the Company outsources the Internal Audit Function to a third-party service provider.

An external line of defence is found through the work performed by the external auditors, who annually audit and provide the shareholders with reasonable assurance that the financial statements are free from material misstatement due to fraud and error.

Through the internal control system implemented by the Board above, it is able to provide to its stakeholders' reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations.

3.5 Internal Audit Function

The Internal Audit Function's role is to provide independent, objective assurance and consulting activity designated to add value and improve to the Company whilst ensuring effectiveness of the systems of internal control. The Internal Audit Function helps the organisation to accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit key function is outsourced, and further responsibilities are included within the Terms of Reference of the Internal Audit Function and the Internal Audit Policy.

The Internal Audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.

The key responsibility of the Internal Audit is to the Board of Directors in discharging its governance responsibilities and to perform the following functions:

- evaluating the Company's governance processes including ethics;
- performing an objective assessment of the effectiveness of risk management and the internal control framework; and
- systematically analysing and evaluating business processes and associated control.

Internal Audit does not assume any operational responsibility or authority over any of the activities audited, unless it can be reasonably established that such operational involvement will not impair the independence of the Internal Audit Function. Consequently, Internal Audit does not implement controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgement.

Internal Audit demonstrates the highest level of professional objectivity in obtaining, evaluating and communicating information and findings about the activity or process under review.

The Company has outsourced the Internal Audit Function. During 2018, the Internal Audit Function carried out one Internal Audit Project, the result of which was satisfactory to the Board.

3.6 Actuarial Function

The role of the Actuarial Function is to assist the Board of Directors in discharging its responsibilities for the management and controlling the significant risks to which the company may be exposed.

The Actuarial Function is responsible to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions in the cases set out in Article 82;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

The Company has outsourced the Actuarial Function and the Head of the Actuarial Function coordinates the calculation of the technical provisions ensuring that the calculation is compliant with the requirements regarding the calculation of technical provisions and reported on those calculations to Elmo including whether there are any uncertainties connected to this calculation in the Actuarial Function Report for 2018 as published during January 2019.

3.7 Outsourcing

To conduct operations as effectively and efficiently as possible, the Company finds it advantageous to outsource certain functions. The Company has in place an outsourcing policy to ensure that the development and implementation of any proposal to outsource operational functions are carried out in a rigorous, transparent and a consultative manner that ensures the Company's best interests are served.

Notwithstanding the procedures in place, effort is made to maintain several activities or functions in-house and only outsource them in case of situations wherein finding suitable replacement would be cumbersome and would result in the interruption of internal Company processes. These include underwriting, claims, accounting and marketing.

The Company should apply the fit and proper procedures in assessing persons employed by the service provider or sub-service provider to perform an outsourced key function in accordance with the "Fit and Proper Policy". The Company has outsourced the Internal Audit Function and the Actuarial Function.

4. Risk Profile

The objective of the risk management strategy employed by the Company is primarily to:

- fully integrate risk management into the culture of the Company;
- ensure that the risk management framework is understood and implemented by staff with an operational responsibility for risk;
- ensure the benefits of risk management are realised through maximising opportunities and minimising threats; and
- ensure consistency throughout the Company in the management of risk.

The Board determined that the risk management system of the Company covers the following areas of risk:

1. *Underwriting and reserving risk* – the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and reserving assumptions. It includes fluctuations in the timing, frequency and severity of insured events/claims settlements;

2. *Reinsurance risk* – the risk of being unable to obtain insurance from a reinsurer at the right time and at an appropriate cost;

3. *Market and Investment risk* – the risk of loss in value of the investment portfolio due to market volatility;

4. *Liquidity risk* – the risk that undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due;

5. *Asset-liability management risk* – the management of a business in such a way that decisions on assets and liabilities are coordinated in order to manage the exposure to the risk associated with the variation of their economic values. The Board decided to consider this risk within the same category of Liquidity Risk;

6. *Credit risk* – the risk of loss resulting from fluctuations in credit standing of counterparties; and

7. *Operational risks* – the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

The Board considers the accumulation and interaction of policies it writes and how these are to be managed within the underwriting and reinsurance risk categories. Concentration risks with respect to credit counterparties and investment risks are considered within the respective risk categories as well. Interaction between risk categories are considered during the risk assessment exercises when determining the impact and likelihood of each risk.

4.1 Underwriting and Reserving Risk

The directors manage exposure to insurance risk through an Underwriting Committee (U.C.) that considers aggregation of risk and establishes risk retention levels.

The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type and amount of risk and industry. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the company's success.

The goal is for underwriters to be in a position to:

- Understand and assess each risk,
- Make appropriate decisions within their area of competence and authority limits,
- Differentiate between risks,
- Apply suitable terms and conditions in order to manage the portfolio,
- Control exposure,
- Improve the predictability of the loss experience and make appropriate use of the company's technical capacity.

Each of the company's underwriters has a specific license that sets clear parameters for the business that they can underwrite, based on the competence of the individual underwriter. The U.C. looks at company underwriting issues, reviewing and agreeing underwriting direction and setting policy and directives where appropriate, and limits on the overall retention of risk that the company carries. The company's management of the underwriting and claims risks restricts underwriting of specific high-risk classes of business to underwriters with appropriate technical competence and includes reviewing the performance and management of selected individual insurance portfolios throughout the company.

Pricing is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and trended forward. While claims remain the company's principal cost, allowance is also made in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of the capital exposed to risk.

The company has the right not to renew individual policies or to reprice on renewal, it can impose deductibles and it has the right to reject the payment of a fraudulent claim.

Claims handling - risks surrounding known claims are mitigated through the Company's in-house teams of skilled claims technicians who apply their experience and knowledge to the circumstances of individual claims. These teams are responsible for investigating and adjusting claims, together with specialist independent loss adjustors that might be engaged depending on exigencies. Claim estimates are reviewed periodically and adjusted on the basis of information that becomes available specific to the claim as well as changes in external factors such as judicial decisions and legislation. The Company generally pursues early settlement of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments - claims on contracts are accounted for on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, the estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company. Certain classes of business can take several years to develop, in particular claims involving casualty, and are therefore subject to a greater degree of uncertainty than other classes of business that are typically settled in a shorter period of time.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR in the Company's technical accounts.

In calculating the estimated cost of unpaid claims, the Company uses a combination of estimation techniques, based partly on known information and partly on statistical analyses of a historical experience.

Reserves are analysed by line of business. Case reserves are established on each individual claim and are adjusted as new information becomes known during the course of handling the claim. Lines of business for which claims data (e.g. paid claims and case reserves) emerge over a long period of time are referred to as long tail lines of business. Lines of business for which claims data emerge more quickly are referred to as short tail lines of business. Risks underwritten by the Company are typically short tail, although certain lines of business may take longer to develop, including, for example, personal accident and employers' liability.

The Company's claims managers regularly review reserves for both current and prior accident years using the most recent claims data. These reserve reviews incorporate a variety of judgments and involve extensive analysis. The ultimate cost of outstanding claims, including claims incurred but not reported, is subsequently estimated through statistical analyses of historical claims trends, which are projected forward giving greater weighting to recent years. Additional qualitative judgment is applied to assess the extent to which past trends may not apply in the future.

4.2 Market and Investment Risk

Market and Investment risk is split into three main risk categories:

Interest Rate Risk

In general, the company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets issued at variable rates expose the company to cash flow interest rate risk. Assets issued at fixed rates expose the company to fair value interest rate risk. Interest rate risk is principally managed through the investment in debt securities having a wide range of maturity dates. Moreover, investment parameters exist to limit exposure to any one particular issuer and any one particular security.

Price risk

The company's financial assets are also susceptible to the risk of changes in value due to changes in the prices of equities in respect of investments held and classified on the balance sheet as fair value through profit or loss. The directors manage this risk of price volatility by entering into a diverse range of investments including equities and collective investment schemes. The company has an active Investment Committee that has established a set of investment guidelines that is also approved by the Board of Directors. These guidelines provide parameters for investment management, including contracts with external portfolio managers. The directors review market value fluctuations arising on the company's investments on a regular basis. Investment parameters and diversification procedures also consider solvency restrictions.

Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact on the amounts that are paid to settle liabilities and on the amounts that are realised from the company's assets. Most of the company's liabilities are in local currency and are therefore not subject to currency risk. The company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the euro. The company's Investment Committee establishes allowable thresholds with regards to the company's exposure to foreign exchange risk.

4.3 Counterparty Default and Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- Investments and cash and cash equivalents;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from policy holders and insurance intermediaries.

The company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparty. Limits on the level of credit risk are approved by the directors, and the credit terms allowed depend on the distribution channel through which business is secured. Frequent meetings are held, attended by directors, in order to monitor the overall credit situation, and to take remedial measures as appropriate. The directors consider that the company is not exposed to material concentration of credit risk in respect of trade debtors due to the large number of customers comprising the company's debtor base.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is monitored on an annual basis by reviewing their financial strength prior to finalisation of any contract. The company's policy is to only contract reinsurers with a minimum rating of A-.

The company is also exposed to credit risk for its cash at bank and investments. The company's cash is placed with quality financial institutions.

4.4 Liquidity and Asset Liability Matching Risk

The company's exposure to liquidity and asset liability management risks arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The directors do not consider these risks to be significant given the nature of the company's financial assets and liabilities. The company's financial assets are considered to be readily realisable as they consist of local and foreign securities listed on recognised stock markets. Moreover, the company ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the company may also resort to overdraft facilities which provide a short-term means of finance.

4.5 Operational Risk

Operational risks may arise from the following sub-categories:

Strategic Risks	Lack of strategic planning and objectives, poor business decisions and lack of monitoring and responsiveness to changes in the business environment
People's Risks	Lack of succession planning and recruitment, individual's goals not aligned with Company's goals and workplace safety
IT Risks	Inadequate system design or capability to maintain business functionality, information security (exposure to loss of records and data leakage)
Cyber Risks	Information security (exposure to loss of records and data leakage) and breakdown of IT Systems
Internal Control Failure including Fraud	Failure of internal control processes due to incorrect design and implementation or management override
Project and Change Management	Failure to deliver the expected benefit of an initiative or costs exceeding benefits, inadequate implementation of a project initiative

Regulatory and Compliance Risks	Breach of applicable law/regulations, including adherence to regulatory timeframes; Frequent changes in legislation and lack of staff awareness of compliance requirements resulting in misconduct
Competition	Failure to monitor market trends and customers' needs
Business Continuity Management	Any event that disrupts the business operations of the Company and/or its performance and lack of planning ahead of managing the aftermath of such event
Reputational and Brand Name Risks	Significant market, operational and strategic failures leading to loss of reputation and possibly litigation and regulatory action
Outsourcing	Excessive reliance on outsourced service, inadequate level of service obtained from the provider and/or breach of data confidentiality
Distribution vulnerability	Loss of business to a distribution channel and over-reliance on a particular distribution channel
Capital Management	Failure to maintain adequate capital to meet the SCR and MCR requirements under the Standard Formula

The Company undergoes strategic thinking and planning initiatives on an annual basis to clearly set the direction forward. The exercise sets out key performance indicators which should be reached in order to ensure maximum value to stakeholders. Furthermore, on a yearly basis, the Directors of the Company determine premium targets and set the overall tone for the business plan of the forthcoming year.

The Company manages people's risk through its Human Resource Manager who is supported by members of Senior Management. The Company further strengthens its human resources function through third party consultancy assistance.

IT has been the major investment by the Company in the past years. The Company has also built an IT team in order to ensure that IT satisfies business requirements. The IT department is also responsible for the management of IT safety, including cyber risks. An array of IT policies are in place in order to mitigate IT risks.

All departmental managers are responsible to establish all relevant internal controls within their area of responsibility in line with the Internal Control Policy. The Company outsources the internal audit function to a third-party firm in order to provide additional assurance to the Board of Directors on the adequacy of internal controls. A Fraud Policy has also been set up with respect to the procedures necessary to combat and report fraud.

The compliance officer is responsible to manage compliance risks. Laws and regulations are reviewed when introduced, deadlines are monitored actively and compliance updates are rolled-out to staff to bring their attention to the matter. A complaints register is maintained by the compliance officer to keep record of all formal complaints.

The Company constantly reviews the market to determine any trends which are arising in pricing and policy covers. Staff have been appointed to handle customer care, which includes carrying out regular surveys and reviewing comments on social media and other sources. The results of the trends are then discussed at Committee level and during the strategic thinking exercises.

The Company frequently considers the events which may impact business continuity and has established and formalised a Disaster Recovery Plan which prescribes preparedness procedures to deal with disasters and their aftermath. The plan is tested on an annual basis by the Disaster Recovery Team and presentations and memos are distributed to Senior Management and staff to raise awareness on the risks and actions to be carried out.

Certain distributions are considered key for the generation of good premiums. Good relations are maintained with all distribution channels, including invitations to Company social events. The Company controls its reliance on a particular distribution channel by reviewing statistics on a monthly basis at Underwriting Committee level.

The Company strives to maintain adequate capital levels through portfolio diversification to reduce market risk exposure, a well-balanced underwriting portfolio to reduce underwriting risk exposure and retaining an amount of profits within the Company to build up capital.

4.6 Reinsurance Risk

The company reinsures a portion of the risks underwritten to control exposure to losses, to reduce volatility, and to protect capital. The type of reinsurance cover, and the level of retention, are based on the company's internal risk management assessment, which takes into account the risk being covered and the sums assured. The reinsurance strategy and programme are set and agreed by the Reinsurance Committee on an annual basis. The reinsurance arrangements include a mix of proportional, facultative and non-proportional cover, which limit the liability of the company to any one individual claim or event.

Monthly reviews of aggregates are carried out to ensure that adequate reinsurance is in place. Periodical meetings are held with the company's reinsurance brokers, the purpose of which is to systematically agree the renewal process of the company's reinsurance requirements, and to ensure a formalised means of communication between Elmo and its reinsurance brokers. Good "ad hoc" contact with reinsurance brokers is maintained during the year when dealing with risks that are not catered for by standard reinsurance treaties.

The company monitors the financial condition of reinsurers on an ongoing basis, and reviews its reinsurance arrangements regularly to ensure that its counterparty exposure to individual reinsurance groups is within the parameters set by the U.C., and the MFSA. The company does not place reinsurance with reinsurers having a credit rating lower than 'A-'.

5. Valuation for Solvency Purposes

Assets and liabilities under Solvency II are valued in accordance to the Solvency II Directive. *"The primary objective of valuation as set out in Article 75 of Directive 2009/138/EC requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the risk-based approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability."*

The values of the assets and liabilities in the IFRS financial statements have been used with some adjustments as outlined in the following sections. These adjustments are in line with the recommendations in the Technical Specifications. A comparison of asset figures under both Solvency II and IFRS is set out below:

Balance Sheet - as at 31 December	2018			2017
	SII € '000s	IFRS € '000s	Difference € '000s	SII € '000s
ASSETS				
Intangible assets - computer software	-	42	(42)	-
Tangible assets:				
- land and buildings	7,975	7,975	-	6,534
- plant and equipment	114	114	-	124
Investments:				
- investment in associated undertaking	76	76	-	66
- investment property	1,188	1,188	-	1,188
- other investments:				
▪ equities	12,980	12,980	-	13,357
▪ bonds	2,660	2,624	36	4,468
▪ loans and receivables	62	62	-	62
Subordinated loan receivable	200	200	-	203
Deferred taxation	586	586	-	194
Reinsurers' share of technical provisions	4,526	5,949	(1,422)	3,374
Deferred acquisition costs	-	1,451	(1,451)	-
Debtors:				
- arising out of direct operations	7,197	7,197	-	5,702
- other debtors	314	314	-	185
Prepayments and accrued income	45	81	(36)	29
Cash at bank and in hand	7,289	7,289	-	6,967
TOTAL ASSETS	**45,212**	**48,127**		**42,454**

Balance Sheet - as at 31 December	2018			2017
	SII	IFRS	Difference	SII
	€ '000s	€ '000s	€ '000s	€ '000s
CAPITAL AND RESERVES				
Called up share capital	5,000	5,000	-	5,000
Revaluation reserve	3,036	3,036	-	3,036
Profit and loss account	10,590	10,590	-	10,104
Reconciliation reserve	661		661	434
TOTAL EQUITY	**19,287**	**18,626**		**18,574**
LIABILITIES				
Technical Provisions		23,703	(23,703)	
- best estimate	20,584		20,584	18,151
- risk margin	580		580	591
Deferred taxation	919	627	292	1,093
Creditors:				
- interest-bearing borrowings	185	185	-	518
- creditors arising out of direct insurance operations	2,922	2,922	-	3,032
- accruals	420	420	-	319
- deferred reinsurance commissions	-	1,329	(1,329)	-
Current taxation	315	315	-	177
TOTA LIABILITIES	**25,925**	**29,502**		**23,880**
TOTAL EQUITIES AND LIABILITIES	**45,212**	**48,127**		**42,454**

5.1 Assets

Intangible assets

The value of intangible assets has been removed from the Solvency II Balance Sheet in accordance with Article 12 of the Regulation.

Land and buildings and Investment Property

Land and buildings and investment property were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have been stressed under the property risk module within the market risk module.

Tangible assets – plant and equipment

Plant and equipment were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These assets have been stressed as an Equity Type 2 within the equity risk module in line with clarifications issued by EIOPA.

Investments in associated undertaking

Investments in associated undertaking were valued in accordance with Article 8 of the Regulation by using the equity method of accounting as per IFRS. This has been classified as other equity in the SCR calculation and stressed under the equity risk module.

Equities

Equities were valued in accordance with Article 8 of the Regulation by using the last available quoted active market prices which is consistent with the valuation approach under IFRS. Equities were classified under “EEA or OECD Equities” and “Other Equities” and then stressed according to their classification under the equity risk module. Equities also include exposures in foreign currencies which were stressed under the currency risk module.

Bonds, Loans and receivables, and Subordinated loans receivable

Bonds, loans and receivables, and subordinated loans receivable were valued in accordance with Article 8 of the Regulations. Bonds and loans and receivables were valued using the last available quoted active market price and includes the value of accrued interest. Subordinated loans were valued using the cost approach and includes the value of accrued interest. This is consistent with the valuation approach under IFRS, with the exception that accrued interest is shown as a separate line item under IFRS.

These assets were stressed under the interest rate, spread and concentration risk modules under market risk. Bonds also include exposures in foreign currencies which were stressed under the currency risk module within market risk.

Deferred tax asset

Deferred tax asset was valued in accordance with Article 15 of the Regulation and is consistent with the valuation approach under IFRS.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions have been stressed under counterparty default risk. The calculation of the Solvency II reinsurers' share of technical provisions is explained in section 5.2.

Deferred acquisition costs

Deferred acquisition costs have been removed from the Solvency II Balance Sheet as they are included as part of the calculations to arrive to the Best Estimate Technical Provisions figure.

Debtors and Cash at bank and in hand

Trade and other receivables and cash at bank and in hand were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have been stressed under the counterparty default risk module. Cash at bank also includes exposures in foreign currencies which are stressed under the currency risk module within market risk.

Prepayments and accrued income

Prepayments were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have not been stressed in the SCR computation. Accrued interest on bonds, loans and receivables and subordinated loan receivables have been removed from this line item and added to the respective line item under the Solvency II balance sheet to arrive to the Solvency II valuation of the respective line item. Accrued interest has therefore been stressed under the modules of the above items.

5.2 Technical Provisions

The table below shows the change in technical provisions from the financial statement to Solvency II by line of business:

SII Line of Business	Financial Statements: Gross claims reserving including IBNR € '000s	Financial Statements: UPR € '000s	Financial Statements: Total € '000s	1 Adjustments to determine the Best Estimate € '000s	2 Risk Margin € '000s	Gross SII Technical Provisions € '000s
Fire and other damage to property insurance	2,691	2,318	5,009	(1,535)	23	3,497
Medical expense insurance	132	797	929	1,156	10	2,095
Other motor insurance	1,942	2,047	3,989	(825)	133	3,297
Motor vehicle liability insurance	6,840	3,691	10,531	(1,510)	303	9,324
Workers' compensation insurance	866	325	1,191	41	56	1,287
Other lines of business	1,239	816	2,055	(446)	54	1,664
Total	13,710	9,994	23,703	(3,119)	580	21,164

SII Line of Business	Gross SII Technical Provisions	3 Reinsurers share of SII technical provisions € '000s	4 Counterparty default adjustment € '000s	Net SII Technical Provisions € '000s
Fire and other damage to property insurance	3,497	2,749	(6)	754
Medical expense insurance	2,095	1,733	(4)	366
Other motor insurance	3,297	(113)	0	3,410
Motor vehicle liability insurance	9,324	370	(1)	8,955
Workers' compensation insurance	1,287	(171)	1	1,458
Other lines of business	1,664	(33)	0	1,696
Total	21,164	4,536	(10)	16,638

Below is a description of each step of the change in technical provisions:

1. Adjustments to determine the Best Estimate Technical Provisions

1A. Margin over best estimate for outstanding claims and allowance for Solvency II expenses

The following standard actuarial methods were used to calculate the best estimate of claims reserves including expenses (i.e. booked reserves in the financial statements less the margin over the best estimate and allowance for expenses):

- Paid Claim Chain Ladder Method
- Incurred Claim Chain Ladder Method
- Paid Bornhuetter Ferguson Method
- Incurred Bornhuetter-Ferguson Method
- Expected Loss Ratio Method

In determining the best estimate using these methods, we have relied on:

- Claims triangles (constructed to include allocated and unallocated claims expenses) from 2000 – 2018
- Tail factors on the liability lines to allow for longer reporting and settlement delays associated with liability lines of business
- Expert Actuarial judgement where necessary particular in respect of:
    - Emerging trends or events which will not be present in the historic claim data used to project ultimate losses i.e. the additional allowances made for Events not in Data ("ENID's")/ Binary Events; and
    - Selection of development patterns, Initial Expected Loss ratios and method selections.

Note that allocated and unallocated expenses associated with settling claims are implicitly included in the claims projections due to the construction of the claims triangles, claims triangles used in the projections include paid and incurred Allocated Loss Adjustment Expenses ("ALAE") amounts and therefore the claims projections implicitly include costs associated with future claims expenses. The ALAE triangles are constructed based on an analysis carried out such that the claims department salaries and overheads such as property costs, claims management etc. are aggregated to a global Paid ALAE figure. This amount is divided by the total Gross Claims Paid figure to obtain the percentage to be applied to the pure paid claims triangles resulting in an expense allowance by line of business.

1B. Release of expected profits in UPR

In calculating the premium provision, a loss ratio based on loss history (claims triangles as mentioned above) and the performance of the current accident year to date was applied. In all cases, the loss ratio calculated for the accident year 2018 was applied to the UPR to estimate claims arising from unexpired risks. This loss ratio makes an implicit allowance for claims expenses as they are incorporated in the triangulated data as discussed above.

An allowance for binary events and expenses associated with servicing of in force policies has been made for within the premium provision.

1C. Discounting

Both claims and premium provisions cashflows were projected based on claims payment pattern history and premium income history. These were discounted by the year end 2018 yield curves as published by EIOPA.

2. Risk Margin

The risk margin was calculated without simplification. Each component of the SCR was calculated at each future date assuming no future business was written. This was then discounted using the year end 2018 yield curve and a 6% cost of capital was applied.

The calculation of the risk margin relies on the cashflow assumptions used to calculate the technical provisions.

Non-Life Underwriting Risk and Health Underwriting Risk was calculated individually for each line of business. The risk margin was allocated to each line of business based on the underwriting risk used to determine it.

3. Reinsurers' share of SII Technical Provisions

This was calculated by first determining the net technical provisions. To derive the net results, we primarily used net to gross paid, ultimate claims, reserve and premium ratios (mostly the incurred or premium ratios were selected) which we applied to the gross ultimate claims. Net premium provisions were determined by using the net loss ratio for underwriting year 2018 as implied from the net claims methodology above.

4. Counterparty default adjustment

Counterparty default risk was calculated in line with the technical specifications using the assumptions outlined in the assumptions table below.

Uncertainty regarding technical provisions

- The choice of loss ratio for the premium provision is informed by historic and current year's to date accident year loss ratios. The unearned portion of the 2018 underwriting year may develop adversely or more favourable than the loss ratios selected.
- The development patterns used to calculate the best estimate of claims provisions are based on historical claims settlement patterns. Future claims development may not reflect historic development.
- The reinsurers' share of technical provisions is based on historic net loss ratios. The number of claims and relative size of each claim could have an impact on the net technical provision not captured in the loss ratio.
- The payment patterns used in determining the cashflows may not be reflected in reality, particularly with respect to claims payments. They are however based on historic claims settlement patterns and can be considered a best estimate.

- Future claims payments will be impacted by future claims inflation. An allowance for claims inflation is implicit within the projection methods we have used and we have not made any additional explicit adjustments to our selected development patterns.
- Direct claims handling expenses can be expected to impact future claim payments. Our estimates are intended to allow fully for future direct expenses by using the rate implicit within the historical claims development. Therefore, no explicit adjustment has been made for future direct expenses.
- The counterparty default adjustment is estimated and no analysis has been carried out on the actual probability of default or loss given default of the reinsurers.
- Other sources of uncertainty include but are not limited to:
  - Change in future claims / regulatory environment
  - Actual future claims inflation, whether from economic or non-economic drivers, may differ from that implied by historic data or explicit inflation assumptions where these have been made;
  - Latent claims emergence;
  - Changes in mix of business over time, for example due to underwriting action; and
  - Some long tailed segments that are material in reserve terms have limited / low volumes of historic data which may reduce reliability of historic claims experience.

The tables below show the assumptions used to determine the Solvency II technical provisions:

	Past Claims Settlement Pattern											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Fire and other damage to property insurance	78%	12%	6%	2%	1%	1%	0%	0%	0%	0%	0%	0%
Medical expense insurance	61%	25%	4%	4%	4%	1%	1%	0%	0%	0%	0%	0%
Other motor insurance	93%	14%	-6%	-12%	-3%	1%	-1%	7%	4%	2%	0%	-1%
Motor vehicle liability insurance	60%	17%	9%	7%	4%	2%	1%	0%	0%	0%	0%	0%
Workers' compensation insurance	38%	25%	15%	8%	6%	3%	2%	1%	1%	1%	1%	1%

	Future Claims Settlement Pattern											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Fire and other damage to property insurance	50%	39%	7%	2%	1%	0%	1%	0%	0%	0%	0%	0%
Medical expense insurance	62%	21%	15%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other motor insurance	66%	33%	1%	0%	0%	-1%	0%	0%	0%	0%	0%	0%
Motor vehicle liability insurance	52%	34%	6%	2%	2%	2%	1%	1%	0%	0%	0%	0%
Workers' compensation insurance	5%	25%	32%	25%	3%	6%	1%	1%	0%	0%	0%	1%

	Commission Rate	Gross Loss Ratio	Net Loss Ratio	Probability of Default	Loss Given Default
Fire and other damage to property insurance	9%	34%	64%	0.24%	60%
Medical expense insurance	33%	43%	36%	0.24%	60%
Other motor insurance	5%	73%	78%	0.24%	60%
Motor vehicle liability insurance	5%	76%	79%	0.24%	60%
Workers' compensation insurance	5%	48%	101%	0.24%	60%

5.3 Other Liabilities

Deferred tax liability

The deferred tax liability has increased to reflect the movement from IFRS to Solvency II. The increase in own funds, as outlined by a positive Reconciliation Reserve in the Solvency II Balance Sheet, has been taxed at an estimated effective rate of 30.6% and a related deferred tax liability has been created on the Balance Sheet.

Deferred reinsurance commissions

Deferred reinsurance commissions have been removed from the Solvency II Balance Sheet as they are included as part of the calculations to arrive to the Best Estimate Technical Provisions figure.

Other liabilities

All other liabilities have been valued in accordance with Article 8 of the Regulation and is consistent with the value approach taken under IFRS.

6. Capital Management

The Company has implemented a Capital Management Policy in order to be able to comply with future requirements relating to own funds and capital management. Under Solvency II, sound and prudent management of the Company is implemented in the first instance through a Capital Management Policy. The policy describes the policies and practices to support the Company's business strategy and to ensure that it is sufficiently capitalised to withstand even severe macroeconomic recessions.

6.1 Own Funds

The Company's own funds are made up as follows:

	Tier 1 2018 € '000s	Tier 1 2017 € '000s
Called up share capital	5,000	5,000
Revaluation reserve	3,036	3,036
Profit and loss account	10,590	10,104
Reconciliation reserve	661	434
Total Own Funds	**19,287**	**18,574**

The Company has assessed the composition of its own fund items as at 31st December 2018 and considers that it is of the highest quality and comprises solely of Tier 1 Capital. The main movement from prior year relates to the profits for the year. Processes and procedures have been put in place so that any additional share capital is analysed prior to its injection. The analysis shall include the impact the classification will have on the Minimum and Solvency Capital Requirements and be presented to the Executive Directors for their review.

The Board of Directors take due care that the dividend distributions of the Company provide an adequate return on capital employed and also do not disrupt the operations or impact its ability to meet regulatory capital requirements.

Based on the calculations within the 2018 ORSA, the Directors have determined that the Company has sufficient eligible own funds to:

- continue its business on a going concern basis over the business planning time horizon
- meet its regulatory solvency target (100% SCR) for its current and projected business activities over the business planning time horizon

The following table provides a reconciliation between the Solvency II Own Funds and the Total Equity as per IFRS:

Reconciliation of Own Funds to Equity in the Financial Statements as at 31 December 2018	€ '000s	€ '000s
Solvency II Own Funds		**19,287**
Items not recognised in the Financial Statements:		
- Risk Margin	**580**	
		580
Items not recognised in the Solvency II Balance Sheet:		
- Intangible assets	**42**	
- Deferred acquisition costs	**1,451**	
- Deferred reinsurance commissions	**(1,329)**	
		164
Change in valuation of Technical Provisions from Best Estimate calculation		**(1,697)**
Deferred tax movements		**292**
Resulting figure		**18,626**
Total Equity as per IFRS		**18,626**
Difference		**-**

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

6.2 Solvency Capital Requirement and Minimum Capital Requirement

The amount of the Company's Solvency Capital Requirement and Minimum Capital Requirement at the end of the reporting period are €7,957K and €3,700K respectively.

The table below shows the components of the SCR (using the Standard Formula) at 31 December 2018 and 2017:

Sub-modules SCR	2018 € '000s	2017 € '000s
Market	6,900	8,025
Default	2,900	2,246
Health	651	764
Non-life	4,267	3,879
Diversification Benefit	(3,997)	(3,855)
Basic SCR	**10,720**	**11,058**

SCR	2018 € '000s	2017 € '000s
Basic SCR	10,720	11,058
Operational	745	545
LACDT	(3,508)	(3,144)
Total	**7,957**	**8,458**

The Company uses EIOPA's Solvency II Standard Formula. It does not use Company specific parameters and does not use simplified calculations in its computation.

The basic SCR decreased to €10,720K in 2018. The reduction was mainly driven by a decrease in market risk mainly due to the market correction that occurred towards the end of 2018. The value of the SCR has been reduced to allow for the loss absorbing capacity of deferred taxes ("LACDT"). This adjustment has been calculated in accordance with Article 207 of the Regulation and is equal to the change in value of deferred taxes that would result from an instantaneous loss of an amount that is equal to the Basic SCR plus Operational risk.

The MCR was calculated in accordance with the Commission Delegated Regulation. The table below shows the net best estimates and net written premiums for the year 2018 per line of business utilised in the calculation of the Linear MCR.

SII Line of Business	Net best estimate € '000s	Net written premiums in past 12 months € '000s
Fire and other damage to property insurance	730	541
Medical expense insurance	356	117
Other motor insurance	3,276	4,166
Motor vehicle liability insurance	8,651	7,433
Workers' compensation insurance	1,401	591
Other lines of business	1,643	1,100
Total	16,058	13,949

The following table summarises the calculation of the linear MCR, MCR cap and MCR floor:

Overall MCR calculation	2018 € '000s	2017 € '000s
Linear MCR	2,639	2,399
MCR cap	3,581	3,806
MCR floor	1,989	2,115
Combined MCR	2,639	2,399
Absolute floor of the MCR	3,700	3,700
Minimum Capital Requirement	3,700	3,700

The absolute floor of the MCR of €3,700K applies for the Company and as at 31 December 2018, the Company had an MCR cover of 521%.

6.3 Any Other Information

The Company applies the Standard formula model and does not use an internal model to calculate the Solvency Capital Requirement.

There was no breach of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

Appendix I: Annual Quantitative Reporting Templates

Appendix I: Annual Quantitative Reporting Templates

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	586
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	8,089
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	16,966
Property (other than for own use)	**R0080**	1,188
Holdings in related undertakings, including participations	**R0090**	76
Equities	**R0100**	11,461
Equities - listed	**R0110**	11,461
Equities - unlisted	**R0120**	0
Bonds	**R0130**	2,660
Government Bonds	**R0140**	400
Corporate Bonds	**R0150**	2,260
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	1,519
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	62
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	200
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	200
Reinsurance recoverables from:	**R0270**	4,526
Non-life and health similar to non-life	**R0280**	4,526
Non-life excluding health	**R0290**	3,193
Health similar to non-life	**R0300**	1,334
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	7,197
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	314
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	7,289
Any other assets, not elsewhere shown	**R0420**	45
Total assets	**R0500**	45,212

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	21,164
Technical provisions – non-life (excluding health)	**R0520**	17,625
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	17,123
Risk margin	**R0550**	502
Technical provisions - health (similar to non-life)	**R0560**	3,539
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	3,461
Risk margin	**R0590**	78
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	919
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	185
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	677
Reinsurance payables	**R0830**	2,245
Payables (trade, not insurance)	**R0840**	736
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	0
Total liabilities	**R0900**	25,925
Excess of assets over liabilities	**R1000**	19,287

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**							Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			
		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	Assistance	Miscellaneous financial loss	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0110**	**C0120**	**C0200**
Premiums written												
Gross - Direct Business	**R0110**	4,390	230	746	7,813	4,379	801	5,057	487	143	191	24,236
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**											0
Reinsurers' share	**R0140**	4,273	9	156	380	212	545	4,516	24	7	166	10,287
Net	**R0200**	117	221	591	7,433	4,166	256	541	463	136	25	13,949
Premiums earned												
Gross - Direct Business	**R0210**	3,696	229	708	7,467	4,150	719	4,795	508	132	181	22,586
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**											0
Reinsurers' share	**R0240**	3,578	9	156	380	212	504	4,296	24	7	158	9,324
Net	**R0300**	117	221	552	7,088	3,938	215	499	484	125	23	13,262
Claims incurred												
Gross - Direct Business	**R0310**	505	37	191	4,944	2,341	333	1,500	299	46	19	10,216
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**											0
Reinsurers' share	**R0340**	473	0	0	460	-2	168	1,311	0	0	1	2,411
Net	**R0400**	33	37	191	4,484	2,344	165	189	299	46	18	7,806
Changes in other technical provisions												
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**											0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	-90	79	210	2,406	1,253	49	-435	140	40	-10	3,642
Other expenses	**R1200**											0
Total expenses	**R1300**											3,642

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
			DE	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	20,085	3,519	0	0	0	0	23,604
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	6,137	3,519	0	0	0	0	9,656
Net	**R0200**	13,949	0	0	0	0	0	13,949
Premiums earned								
Gross - Direct Business	**R0210**	19,133	2,928	0	0	0	0	22,061
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	5,871	2,928	0	0	0	0	8,799
Net	**R0300**	13,262	0	0	0	0	0	13,262
Claims incurred								
Gross - Direct Business	**R0310**	9,776	373	0	0	0	0	10,149
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	1,971	373	0	0	0	0	2,344
Net	**R0400**	7,806	0	0	0	0	0	7,806
Changes in other technical provisions								
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0
Expenses incurred	**R0550**	3,747	-62	0	0	0	0	3,686
Other expenses	**R1200**							0
Total expenses	**R1300**							3,686

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
			0	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	0	0	0	0	0	0	0
Net	**R0200**	0	0	0	0	0	0	0
Premiums earned								
Gross - Direct Business	**R0210**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	0	0	0	0	0	0	0
Net	**R0300**	0	0	0	0	0	0	0
Claims incurred								
Gross - Direct Business	**R0310**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	0	0	0	0	0	0	0
Net	**R0400**	0	0	0	0	0	0	0
Changes in other technical provisions								
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	0	0	0	0	0	0
Other expenses	**R1200**							0
Total expenses	**R1300**							0

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance										
		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	Assistance	Miscellaneous financial loss	Total Non-Life obligation
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0120**	**C0130**	**C0180**
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM												
Best estimate												
Premium provisions												
Gross	**R0060**	348	34	157	2,853	1,513	187	802	63	35	6	5,998
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	205	-226	-170	-116	-96	1	564	-20	-7	-29	106
Net Best Estimate of Premium Provisions	**R0150**	143	260	328	2,969	1,608	186	238	83	42	35	5,891
Claims provisions												
Gross	**R0160**	1,737	111	1,074	6,168	1,651	351	2,672	687	29	106	14,586
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	1,524	1	0	485	-17	167	2,180	2	0	77	4,420
Net Best Estimate of Claims Provisions	**R0250**	213	111	1,074	5,683	1,668	184	492	685	29	29	10,167
Total Best estimate - gross	**R0260**	2,085	146	1,231	9,021	3,164	539	3,474	750	64	112	20,584
Total Best estimate - net	**R0270**	356	371	1,401	8,651	3,276	370	730	768	70	64	16,058
Risk margin	**R0280**	10	11	56	303	133	9	23	28	4	1	580
Amount of the transitional on Technical Provisions												
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total												
Technical provisions - total	**R0320**	2,095	157	1,287	9,324	3,297	548	3,497	778	67	114	21,164
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	1,729	-225	-170	369	-112	169	2,743	-18	-7	48	4,526
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	366	382	1,458	8,955	3,410	379	754	795	74	65	16,638

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

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

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

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											7
N-9	**R0160**	3,665	1,684	211	91	80	15	15	19	-285	77	
N-8	**R0170**	3,351	1,994	232	88	43	120	20	-33	129		
N-7	**R0180**	3,354	1,601	201	81	62	-2	219	26			
N-6	**R0190**	3,472	1,932	556	109	170	140	1,419				
N-5	**R0200**	3,169	2,165	369	224	23	40					
N-4	**R0210**	3,183	2,024	274	85	138						
N-3	**R0220**	3,288	2,171	295	608							
N-2	**R0230**	3,352	2,033	432								
N-1	**R0240**	4,009	2,344									
N	**R0250**	4,352										

		In Current year	Sum of years (cumulative)
		C0170	**C0180**
	R0100	7	7
	R0160	77	5,574
	R0170	129	5,944
	R0180	26	5,541
	R0190	1,419	7,798
	R0200	40	5,991
	R0210	138	5,703
	R0220	608	6,362
	R0230	432	5,816
	R0240	2,344	6,353
	R0250	4,352	4,352
Total	**R0260**	9,571	59,441

Annex I
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											578
N-9	R0160	0	0	0	0	0	0	0	572	553	456	
N-8	R0170	0	0	0	0	0	0	619	594	269		
N-7	R0180	0	0	0	0	0	585	262	213			
N-6	R0190	0	0	0	0	1,572	1,525	485				
N-5	R0200	0	0	0	290	335	276					
N-4	R0210	0	0	632	516	341						
N-3	R0220	0	1,961	1,793	1,253							
N-2	R0230	4,192	1,112	724								
N-1	R0240	5,451	2,275									
N	R0250	7,703										

		Year end (discounted data)
		C0360
	R0100	577
	R0160	457
	R0170	269
	R0180	213
	R0190	485
	R0200	276
	R0210	342
	R0220	1,255
	R0230	724
	R0240	2,277
	R0250	7,711
Total	R0260	14,586

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	5,000	5,000		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	14,287	14,287			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	19,287	19,287	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	19,287	19,287	0	0	0
Total available own funds to meet the MCR	**R0510**	19,287	19,287	0	0	
Total eligible own funds to meet the SCR	**R0540**	19,287	19,287	0	0	0
Total eligible own funds to meet the MCR	**R0550**	19,287	19,287	0	0	
SCR	**R0580**	7,957				
MCR	**R0600**	3,700				
Ratio of Eligible own funds to SCR	**R0620**	2.42				
Ratio of Eligible own funds to MCR	**R0640**	5.21				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	19,287	
Own shares (held directly and indirectly)	**R0710**	0	
Foreseeable dividends, distributions and charges	**R0720**	0	
Other basic own fund items	**R0730**	5,000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0	
Reconciliation reserve	**R0760**	14,287	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0	
Total Expected profits included in future premiums (EPIFP)	**R0790**	0	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	6,900		
Counterparty default risk	**R0020**	2,900		
Life underwriting risk	**R0030**	0		
Health underwriting risk	**R0040**	651		
Non-life underwriting risk	**R0050**	4,267		
Diversification	**R0060**	-3,997		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	10,720		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	745
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-3,508
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	7,957
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	7,957
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	**R0010**	2,639

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expenses insurance and proportional reinsurance	**R0020**	356	117
Income protection insurance and proportional reinsurance	**R0030**	371	221
Workers' compensation insurance and proportional reinsurance	**R0040**	1,401	591
Motor vehicle liability insurance and proportional reinsurance	**R0050**	8,651	7,433
Other motor insurance and proportional reinsurance	**R0060**	3,276	4,166
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	370	256
Fire and other damage to property insurance and proportional reinsurance	**R0080**	730	541
General liability insurance and proportional reinsurance	**R0090**	768	463
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	0
Legal expenses insurance and proportional reinsurance	**R0110**	0	0
Assistance and proportional reinsurance	**R0120**	70	136
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	64	25
Non-proportional health reinsurance	**R0140**	0	0
Non-proportional casualty reinsurance	**R0150**	0	0
Non-proportional marine, aviation and transport reinsurance	**R0160**	0	0
Non-proportional property reinsurance	**R0170**	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	**R0200**	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**	0	
Obligations with profit participation - future discretionary benefits	**R0220**	0	
Index-linked and unit-linked insurance obligations	**R0230**	0	
Other life (re)insurance and health (re)insurance obligations	**R0240**	0	
Total capital at risk for all life (re)insurance obligations	**R0250**		0

Overall MCR calculation

		C0070
Linear MCR	**R0300**	2,639
SCR	**R0310**	7,957
MCR cap	**R0320**	3,581
MCR floor	**R0330**	1,989
Combined MCR	**R0340**	2,639
Absolute floor of the MCR	**R0350**	3,700
		C0070
Minimum Capital Requirement	**R0400**	3,700