ADVENT INSURANCE PCC LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

31ST DECEMBER 2016

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EXECUTIVE SUMMARY

Advent Insurance PCC Limited ('the PCC') was authorised on 29th March 2011 in Malta to carry on the business of insurance under all classes of general business and is registered in Malta under registration number C52394. The PCC is a subsidiary of Malta-based AIF Holdings Limited. It was established to provide insurance services, from its Core and individual Cells, into EU or EEA States pursuant to article 4 of the Insurance Business Act and regulation 10 of Part II of the European Passport Rights for Insurance and Reinsurance Undertakings Regulations, 2004. As a Protected Cell Company, the PCC is bound by the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2010 (The PCC Regulations).

The PCC's authorised share capital consists of 6 classes of "Cell shares", each class being in respect of one of the PCC's six Cells, and 3,700,000 ordinary shares of €1 each.

The relationship between the PCC and the Cell shareholders is governed by Cell shareholder agreements supported by Malta's PCC Regulations. The PCC Regulations specifically provide for the legal segregation of assets and liabilities between various Cells in a Protected Cell Insurance Company. The Cellular assets of any individual Cell may only be used to satisfy the liabilities of that Cell. The PCC's non-Cellular assets can be secondarily used to satisfy the Cellular liability, provided that the Cellular assets attributable to the relevant Cell have been exhausted; and Cellular assets not attributable to the relevant Cell may not be used to satisfy the liability. Further, any liability not attributable to a particular Cell is the sole liability of the company's non-Cellular assets.

This Solvency & Financial Condition Report ('SFCR') is produced as part of the reporting requirements under Solvency II, a European directive implemented in Malta under various instruments including:

- SL 403.20 Insurance Business (Phasing-In) Regulations, 1st April, 2015, 1st July 2015,
- SL 403.23 – Insurance Business (Solvency II Transitional Provisions) Regulations, January 2016, and:
- SL.403.21 – Insurance Business (Commission Delegated Regulation on Solvency II) Regulations, January 2016

This report covers the business and performance of Advent Insurance PCC Limited, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The report's purpose is to assist interested parties in understanding the capital position of the company.

A. BUSINESS AND EXTERNAL ENVIRONMENT

I. Legal status and registered address

The PCC was established as a Protected Cell insurance undertaking in Malta to exercise passport rights to provide insurance services, from its Core and individual Cells, into EU or EEA States. Its registered address is: The Landmark, Level 1, Suite 2 | Triq l-Iljun | Qormi QRM 3800 | Malta.

II. Activities of Cells

At 31st December2016 the PCC had the following operational Cells:

- AIF Cell: This Cell sells, under general insurance Class 16 (Miscellaneous Financial Loss), flight cancellation cover to customers based in Spain.
- Absolut Cell: This Cell sells, under general insurance Class 16 (Miscellaneous Financial Loss), travel insurance to customers based primarily in Belgium.
- Finance One Cell: This provides, under general insurance Class 15 (Suretyship), various types of bonds, mainly construction, performance and custom bonds, to customers based primarily in Ireland.
- UIB Cell: This sells, under general insurance Classes 1 (Accident) and 2 (Sickness), income protection insurance to customers based in the UK.
- Freedom Health Cell: This sells, under general insurance Classes 1 (Accident) and 2 (Sickness), Private Medical Insurance to customers based in the UK and Germany.
- Unlimited Care Cell: This was authorised by the MFSA during 2016 to sell, under general insurance Classes 1 (Accident) and 2 (Sickness), Private Medical Insurance to customers based in Portugal. The Cell is expected to commence underwriting during 2017.

During 2016 the PCC's Core commenced underwriting and sells, under Class 16 (Miscellaneous Financial Loss), insurance to cover a landlord's loss of rent when a tenant defaults. The Core also sells some related property insurance, under Class 9 (Other Damage to Property), as part of the same landlord policy. The policies are sold to customers based in France.

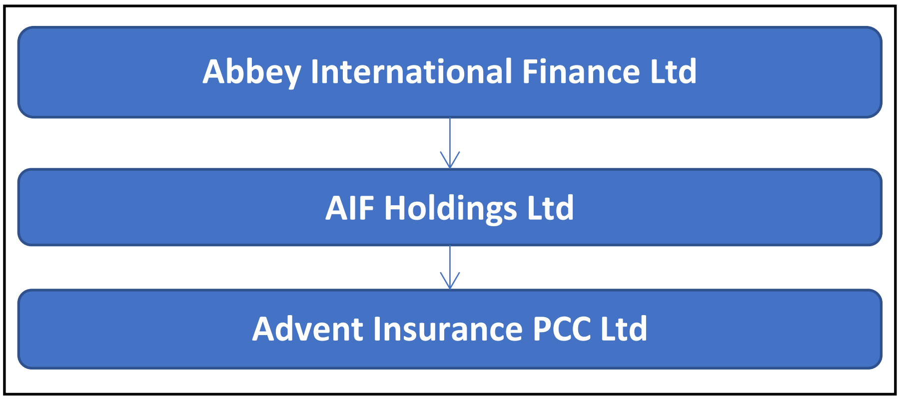
III. Related Party Transactions

During the year the Company entered into various transactions which are subject to common control. All transactions are conducted within the normal course of business.

The legal firm of one of the Directors is the appointed legal advisor of the Company. The retainer fee charged by the legal firm is separate from the emoluments paid to the Director concerned.

IV. Ownership structure

The PCC is wholly owned by AIF Holdings Ltd, a company registered in Malta. The directors consider that the ultimate controlling party is Abbey International Finance Limited, a company registered in Ireland. The Group structure is as follows:



The Cellular shares of AIF Cell and Finance One Cell are also owned by AIF Holdings Limited, the ultimate controlling party of which is Abbey International Finance Ltd. The Cellular shares of the other Cells are owned by third parties who are unrelated to Advent Insurance PCC Limited or its holding or parent companies.

V. Performance from underwriting activities

The Company's underwriting performance in the past two years is summarised below by Line of Business and geographical area. Since the PCC prepares its financial statements in accordance with IFRS, the underwriting performance information given in this section is on an IFRS basis.

YEAR ENDED 31ST DECEMBER 2016

	CREDIT & SURETYSHIP	MISCELLANEOUS FINANCIAL LOSS				MEDICAL EXPENSES	INCOME PROTECTION	TOTALS
Geographical Area	IRELAND	FRANCE	IRELAND	SPAIN	BELGIUM	UK	UK	
Premiums Earned	712,718	48,857		276,365	8,872,789	2,044,777	3,023,668	14,979,174
Claims Incurred	249,451	24,971		28,414	4,702,284	669,325	764,988	6,439,433
Reinsurance Outwards	334,861	-		-	-	687,727	94,094	1,116,682
Net Operating Expenses	160,610	12,214		158,228	230,000	755,036	1,836,383	3,152,471
Other Technical Income	154,302	-		-		166,320	-	320,622
Technical Underwriting Result	**122,098**	**11,672**		**89,723**	**3,940,505**	**99,009**	**328,203**	**4,591,210**

YEAR ENDED 31ST DECEMBER 2015

	CREDIT & SURETYSHIP	MISCELLANEOUS FINANCIAL LOSS				MEDICAL EXPENSES	INCOME PROTECTION	TOTALS
Geographical Area	IRELAND	FRANCE	IRELAND	SPAIN	BELGIUM	UK	UK	
Premiums Earned	368,986	-	1,620,219	-	7,737,114	-	-	9,726,319
Claims Incurred	47,341	-	122,292		4,526,104	-	-	4,695,737
Reinsurance Outwards	242,878	-	-		-	-	-	242,878
Net Operating Expenses	63,724	-	206,480		230,000	-	-	500,204
Other Technical Income	72,813	-	-			-	-	72,813
Technical Underwriting Result	**87,856**	**-**	**1,291,447**		**2,981,010**	**-**	**-**	**4,360,313**

The differences between the underwriting activity of 2015 and 2016 years are summarised below:

- UIB and Freedom Health Cells both commenced operations in 2016. UIB commenced writing income protection insurance and Freedom Health commenced writing medical expenses insurance, both in the UK.
- On 1st December, 2016 the Core began underwriting directly from its Core, writing a portfolio of rental default insurance in France.
- During 2016 both Finance One and Absolut Cells enjoyed reasonable premium growth, the former seeing a 93%increase, the latter a 15%% increase. Up to August 2015 AIF Cell underwrote the contractual obligations arising out of underlying lease contracts between its parent company and certain of its leaseholders. The Cell ceased writing this business in August 2015. During 2014 the AIF Cell commenced writing missed flight cover for customers of a Spanish airline. This business continued into 2016.

VI. Performance from investment activities

The following tables summaries the finance income and investment gains earned by the PCC during 2016.

	Core 2016	Core 2015	Cells 2016	Cells 2015	Total 2016	Total 2015
Interest receivable	134	612	2,682	3,598	2,816	4,210
Investment Income	37,307	433,962	81,696	48,161	119,003	482,123
Realised F/X losses/gains	-		11,468	-9,719	11,468	-9,719
Net gains on investments	13,053	12,864			13,053	12,864
	50,494	**447,438**	**95,846**	**42,040**	**146,340**	**489,478**

Investment income includes interest on group loans of €81k. The Core has earned investment income from its professionally managed investment portfolio. At 31st December, 2016 the portfolio holdings were in equity instruments, collective instrument schemes and fixed income debt securities with carrying amounts at fair value through profit or loss as well as cash balances. The 2015 Core returns included a realised gain on a property investment.

VII. Operating / other income and expenses

Administration Expenses	Core 2016	Core 2015	Cells 2016	Cells 2015	Total 2016	Total 2015
Acquisition costs	12,214	-	2,720,587	253,886	2,732,801	253,886
Claims Handling fee	-	-	419,670	173,505	419,670	173,505
Administration Expenses	165,153	107,413	457,623	298,552	622,776	405,965
	177,367	**107,413**	**3,597,880**	**725,943**	**3,775,247**	**833,356**

The acquisition costs and claims handling fees are included in the technical underwriting results. The administration expenses are non-underwriting overheads which are included in the non-technical profit and loss account.

The acquisition costs represent commissions payable to agents for introducing the business and for services related to managing the business in the risk territories. They include €1.65m paid by UIB, €755k paid by Freedom Health, €160k by Finance One and €147k by AIF Cell. The increases over 2015 are in line with increases in the business written; particularly the new business introduced in the UIB and Freedom Health Cells, both of which commenced operations in 2016.

B. SYSTEM OF GOVERNANCE

1. General Governance Arrangements

I. The Board of Directors

The PCC is managed by an active Board of Directors. The Board has five directors, four of whom are resident in Malta. The Board members are: John Prosser, Derek Douglas, Christian Farrugia, James Dunbar Cousin, Anne Finn. The Board members collectively have qualifications and expertise in Accounting, Insurance Underwriting, Risk Management, Compliance, Investment and Banking and Law. The Board is responsible for the strategic management of the PCC. It oversees all PCC operations and appoints and supervises Managers and key function holders. All material decisions relating to or made by the Cells are subject to the approval of the Board. The Board meets at least quarterly but also more frequently should it be required.

II. Underwriting Committee

The Board is supported by an Underwriting Committee, which is a sub-committee of the Board. The Underwriting Committee members are: John Prosser, Derek Douglas and Anne Finn. The Underwriting Committee assists the Board in evaluating Cell proposals and underwriting opportunities for the Core. The Underwriting Committee also reviews material claims, both Core and Cellular, over and above the normal underwriting authorities granted to agencies. The Underwriting Committee meets on an ad hoc basis as required but its members are in regular communication with each other and with the Managers.

III. Audit Committee

The PCC does not have a separate Audit Committee. The statutory obligations of an Audit Committee are retained directly by the Board of Directors.

IV. Remuneration Committee

The PCC has no direct employees. Its directors are remunerated on a flat fee basis. The PCC therefore does not have a remuneration committee and its remuneration policy is very simple: to pay its directors and advisors a fair and adequate fee reflective of market rates, appropriate to the skills and functions being employed, for services rendered. Such fees are not directly tied to profit margins or financial performance of the Company.

V. Management structure and key functions

The Board is also supported by:

i. A professional management company, Artex Risk Solutions (Malta) Limited, which takes care of all day to day operational matters in Malta.
ii. A Compliance function and an appointed Compliance Officer to ensure that the PCC is compliant with all its legal and regulatory obligations both in Malta and in the risk territories.
iii. A Risk Management function to measure, manage, monitor and control the risks the PCC is exposed to.
iv. An Internal Audit function executed by an Internal Auditor appointed by Abbey International Finance Limited, the PCC's ultimate controlling party. The Internal Auditor is completely independent of the day to day operations of the PCC.
v. An Actuarial function which is outsourced to Artex who provide the service through an outsourced qualified actuary.

VI. Cell Committees

Each Cell within the PCC has a dedicated committee to manage the Cell business and operations, to receive reports from service providers and to act in an advisory capacity to the Advent Board in relation to the Cell business. Each Cell committee includes representatives of the Cell shareholders, Advent Board and the Managers. The Cell committees meet quarterly and report to the Advent Board.

VII. Adequacy of the System of Governance

The Board is satisfied that the System of Governance is adequate and appropriate for the PCC in view of the nature, scale and complexity of its business.

2. Fit and Proper Processes and Procedures

It is the PCC's policy to ensure that:

a. All personnel involved with the PCC including shareholders, directors and employees are fit and proper persons within the regulatory definitions including being i) suitably qualified and experienced to carry out the functions delegated to them and ii) of good reputation and character
b. All actual or potential conflicts of interest that directors or function holders may have are identified, avoided or managed as necessary
c. Background checks are carried out on all individuals it employs or contracts with, to confirm their identity, background, qualifications, employment history, credit records, criminal record, including spent or lapsed offences, if any to ensure their 'fit' and 'proper' status
d. All employments are subject to a trial period and all outsourcing and consultancy arrangements are cancellable
e. All Board members, qualifying shareholders, senior employees holding key functions such as compliance, internal audit, actuarial, financial, and underwriting are subject to the personal questionnaire process and approval by MFSA
f. The performance and integrity of individuals are monitored and evaluated on an ongoing basis through interaction and four eyes output review and assessment
g. Outsourced service providers nominate a person to be responsible for the function who is subject to the PCC's fit and proper assessments.

3. Risk Management System

I. Responsibility

The Board is responsible for setting the PCC's risk appetite and overall risk tolerance limits as well as approving and implementing the main risk management strategies and policies. To facilitate and support the achievement of the PCC's business strategy, the Board has put in place a Risk Management System of the strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual Cell and at an aggregated level, to which the PCC is or could be exposed, and their interdependencies.

II. Guiding policies

To guide the successful operation of the Risk Management System the Board has agreed the following risk policies which set out the minimum standards to be maintained by the PCC to manage its risks in a way that is consistent with its risk appetite and tolerances limits.

Underwriting and Reserving Risk Policy	Investment Risk Policy
Reinsurance and Financial Mitigation Risk Policy	Liquidity Risk Policy
Strategic and Reputation Risk Policy	Data Quality Policy
Operational Risk Management Policy	Outsourcing Policy
Conflicts of Interest Policy	Internal Control Policy
Fitness and Probity Policy	Internal Audit Policy
Asset & Liability Management (ALM) Risk Policy	Capital Management Policy

III. Risk Management Strategy: Risk Register and Risk Matrix

Risk Register: A key element of the Board's risk management strategy is the Risk Register (one each for the Core and each Cell) through which the Board identifies and captures all material risks. Within the Risk Registers the PCC:

a. Defines the risk categories which are relevant to the PCC /Cell.
b. Defines the methods to be used to measure the risk.
c. Outlines the strategies in place for management, control and mitigation to limit its exposure to each material risk.

Risk Matrix: The PCC has set out its desired levels of risk appetite and risk tolerances for its key quantifiable risks. The over-arching risk appetites and tolerances are set out in the PCC's Risk Management System framework document. Individual specified risk appetite and tolerance metrics are set out in a Risk Appetite matrix, one each for the Core and for individual Cells.

IV. Strategy for managing Insurance and Investment Risks

The PCC's strategy for managing Insurance and Investment risks is to:

a. Select quality insurance risks with skilled underwriting assessment
b. Retain insurance risk within approved risk appetite and solvency requirements
c. Reinsure insurance risk above the selected net retention levels
d. Handle claims and reserving risk with suitable expertise and quality information
e. Diversify investment risk through careful selection and ongoing review and management
f. Invest in instruments and deposits that offer it security, quality, liquidity, accessibility and profitability
g. Monitor changing environment and market conditions that affect risk

V. Strategy for managing other risks

The PCC's strategy for managing other business, operational, reputational, strategy and governance risks is to:

a. Identify and analyse such risks through a multi-disciplinary risk assessment process
b. Accept certain risks within agreed risk tolerances and with appropriate solvency
c. Mitigate or avoid risks that do not fit within the PCC's business objectives by risk control and reduction techniques

VI. Monitoring and reporting of risk positions

The PCC's strategy for monitoring and reporting of actual risk positions involves a number of functions and forms part of a number of processes. On an ongoing basis the Manager is responsible for reporting to the Board on: risks or risk events that the Board or the Manager has identified as potentially material; and on other specific areas of risk as they arise, both on its own initiative and at the request of the Board.

In addition:

a. At least annually the Board reviews the PCC's risk register, and those of each individual Cell, to ensure that all significant risks are adequately measured, monitored and controlled
b. At least annually the Board reviews the individual risk policies for appropriateness and adherence
c. At least quarterly, reporting of cash, investments and liquidity positions, including those of the individual Cells, takes place
d. At least quarterly, reporting of premium and claim positions for the Core and each individual Cell, takes place
e. At every quarterly Board meeting the PCC's compliance function reports on its monitoring of compliance with the compliance policy

VII. Adequacy of Risk Management System

The PCC considers that its Risk Management System is adequate and appropriate to the nature scale and complexity of its business. However, the system itself is periodically reviewed, at least as part of the PCC's regular 'Own Risk and Solvency Assessments', and monitored on an ongoing basis for effectiveness and inclusiveness.

Risk management is discussed further under the RISK PROFILE section.

C. OWN RISK AND SOLVENCY ASSESSMENT

I. ORSA Objectives

The PCC produces its Own Risk and Solvency Assessment (ORSA) at least annually and more frequently should there be any material change to the Company's business or risk profile. The objective of the ORSA is to ensure an effective level of Enterprise Risk Management to enable the PCC to identify, assess, monitor, prioritise and report on the nature and scale of its material and relevant risks and to assess the adequacy of its risk management structures and current and prospective solvency positions under normal and severe stress scenarios, in the light of those risks. The information and knowledge thus obtained allows the PCC to understand and manage not only its current risks and solvency needs, but to consider the effects its strategic decisions will have on its future risk profile, regulatory capital requirements and overall solvency. The ORSA is therefore a tool to assist the Company and Cell owners in decision making and strategic analysis and in achieving their business objectives in a robust Enterprise Risk Management environment.

II. ORSA Principles

i. The Board takes an active, top down part in the ORSA including provision of ongoing guidance on how it is to be carried out. It questions and challenges the assumptions, inputs and results to ensure the integrity of the ORSA, and that it fully understands the risks the company is exposed to and how they translate into capital needs.
ii. The ORSA is an entity wide process requiring input from all relevant personnel including Cell owners and their underwriting and claims teams, the PCC's actuarial, finance, risk

management investment and compliance functions, and the local management team. Therefore, as well as being a top down, Board-driven, process the ORSA is granular enough to ensure that the information communicated to the Board is sufficiently detailed to be used by the Board in its strategic decision-making process and also to enable relevant personnel to take any necessary follow up action.

iii. The Board relies on robust systems of governance and risk management to help it identify, manage and reduce risk and to provide it with the information it needs to properly assess its own solvency requirements. Therefore, during the ORSA process the Board evaluates the strength and quality of these systems, taking into consideration risks that may arise from inadequacies or deficiencies of the systems themselves, to ensure that they continue to be robust, effective and efficient, and is committed to taking all necessary steps to improve and strengthen the systems where needed.

III. ORSA Frequency

The PCC carries out an ORSA at least annually and more frequently should a significant change in the PCC's business strategy or profile, including the addition of a new Cell, require it. All ORSA processes are managed, monitored, controlled and reviewed by the Board, and ORSA reports are subject to its approval.

IV. ORSA Process

As part of the ORSA process the PCC compares its base case financial projections (over a three-year period), and related SCR and MCR requirements vis-à-vis own funds with differing outcomes likely should certain assumed stressed scenarios take place. This enables it to assess its solvency sensitivity to unlikely but plausible events and to make plans to bolster its capital position should it be needed. The stressed scenarios are derived from the underlying risk review and assessment that also forms part of the ORSA process. The PCC maintains detailed records of the ORSA process including minutes of management and Board meetings, and related correspondence. The ORSA is independently reviewed by the Actuarial function and is available for review by regulators and auditors.

D. INTERNAL CONTROL SYSTEM.

I. Internal Control System Responsibility

The Internal Control Framework for the PCC is overseen by the Board which retains ultimate responsibility. The Board sets the PCC's policies and appoints service providers. It supervises Cell and operational management activities, including outsourced functions, through the receipt of regular and exceptions reporting. It also ensures that the internal audit, compliance and risk management functions have the resources, authority and freedom to carry out their responsibilities in an objective, impartial and independent manner and have direct access to the Board as needed, without impediment by executive management. On a day to day basis the Board operates through its local executive directors who work closely with the Managers.

II. Cell Committees

At Cell level the internal controls are overseen by the individual Cell's dedicated Cell Committee. The committee, operating under written Terms of Reference approved by the PCC Board, ensures that adequate systems and controls are in place, both in Malta and in the risk territory, for the effective operation of the Cell's business. Each Cell committee has at least two representatives from the PCC Board, one representative from the local Managers, and two representatives from the Cell shareholders. The Committee's supervision of the Cell's systems and controls, both in Malta and in the business territory, is effected through receipt and scrutiny of detailed underwriting, claims, financial and investment reports, control of contracts, and the requirement for Cell approval and sign-off for insurance policies and claims over specified authority levels. The Board and Management representatives on the Cell Committees report regularly, and at least quarterly, to the Board on the Cells' activities and results.

III. Local Managers

Local internal controls are effected through professional Insurance Managers, Artex, who operate under written management agreements. As part of their day to day accounting and administrative support services Artex maintain checks and balances, methods and procedures to safeguard the PCC's and Cells' assets and resources, to detect and deter errors, fraud, theft, and generally to ensure that the Cells and the PCC Core are operating in line with the PCC's policies and the Cells' own business plans. Systems and controls include 'four eyes' reviewing and dual sign-off of all key transactions. Artex are the initial recipients of the Cells' business data, in the form of detailed monthly and quarterly reports from Cell service providers. Artex scrutinise this underlying data to ensure its accuracy and completeness, and use it to produce reliable and timely financial and management information for Cell Committee and Board reporting.

IV. Compliance Function

The PCC's Compliance function, and the role of the Compliance Officer, is outsourced to Artex. In addition, the Board has designated a Director to oversee the compliance function on its behalf. The Compliance Function is recognised as a key part of the PCC's internal control system. It identifies, assesses, monitors and reports on the PCC's and Cells' compliance risk and status to ensure adherence to their legal and regulatory obligations. It reports on these matters, and the effectiveness and adequacy of the Compliance Function, at least quarterly, or more frequently as needed, to the Cell Committees and ultimately to the Board. The Internal Audit function periodically audits the Compliance function to ensure that it is operating as necessary.

V. External oversight

External oversight of internal controls is provided by the Internal Audit and External Audit functions. The Internal Audit function is described below. External oversight of certain key aspects of the PCC's business, in particular its Technical Provision and Solvency calculations, is provided by the Actuarial Function. The Actuarial Function is described below.

VI. Adequacy of Internal Control System

Given the nature, scale and complexity of its business the PCC Board considers this Internal Control framework to be adequate and suitable for purpose.

There is a clear division of duties between local directors, local operational staff, risk territory personnel, compliance function, local directors, external audit function and actuarial function. The effective functioning of the overall system is facilitated by regular structured meetings, and information flows and report, between the different divisions, all of which ultimately are answerable to the Board.

E. INTERNAL AUDIT FUNCTION

I. Independence of Internal Audit function

The Abbey Group, to which the PCC belongs, has established an Internal Audit Function to examine and evaluate the functioning effectiveness and efficiency of the internal control systems, and other elements of the systems of control, of its group companies.

The appointed Internal Auditor for the PCC is a senior executive of the Abbey Group who is operationally independent of the PCC, having never worked directly for the PCC, and not having any current day to day involvement in its operations.

II. Reporting to the Board

Further, the Board has designated a Director to oversee the PCC's audit function, including internal audit. The designated Director liaises with, and maintains free and open communication with, the Internal Auditor. Minutes of their meetings are provided to the Board, which include reports on the progress of internal audits and findings. However, the Internal Auditor reports directly to the Board on the outcome of the audits, their findings and recommendations.

III. Internal Audit responsibilities and scope

The Internal Audit function has been given the following remit for the PCC:

a. establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of Advent Insurance PCC Limited
b. take a risk-based approach in deciding its priorities
c. report the audit plan to the Board of Directors
d. issue an internal audit report to the Board based on the result of work carried out in accordance with point a. which includes findings and recommendations to the Board including the envisaged period of time to remedy the shortcomings and the persons responsible for doing so, and information on the achievement of audit recommendations
e. submit the internal audit report to the Board on at least an annual basis
f. verify compliance with the decisions taken by the Board based on those recommendations referred to in point d.

Every activity and unit of the PCC, including Cells, falls within the scope of the Internal Audit function. Responsibility for following up Internal Audit recommendations rests with the Board with delegation to local executive directors and local management as appropriate.

F. ACTUARIAL FUNCTION

I. Implementation and Objectivity

The PCC has outsourced the Actuarial Function to the local Managers who perform the underlying tasks and calculations. The overview aspects of the Actuarial Function have been outsourced by the Managers to a qualified actuary. The qualified actuary is not an employee of the PCC or the Managers, not involved with the day to day operations of the PCC, thus ensuring that the function is objective and free from the influence of other functions or from the PCC's Board and management.

II. Responsibilities

The responsibilities of the Actuarial Function are to:

a. Co-ordinate the calculation of technical provisions in order to: a) explain any material effect of changes in data, methodologies or assumptions between valuation dates; b) report on the consistency of the technical provisions with the requirements set out in the Solvency II EU directive, and to propose any corrections needed;
b. Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
c. Assess the sufficiency and quality of the data used in the calculation of technical provisions;
d. Compare best estimates against experience;
e. Inform the Board of the reliability and adequacy of the calculation of technical provisions;
f. Oversee the calculation of technical provisions as set out in Article 82 of Solvency II;
g. Express an opinion on the overall underwriting policy;
h. Express an opinion on the adequacy of reinsurance arrangements (if any); and
i. Contribute to the effective implementation of the risk-management system referred to in Article 44, in particular with respect to the risk modelling underlying the calculation of the capital requirements.
j. The Actuarial Function Holder is required to report to the Board at least annually documenting all material tasks that have been undertaken and their results, clearly identifying any deficiencies and giving recommendations as to how such deficiencies could be remedied.

G. OUTSOURCING

I. Outsourcing in risk territories

Outsourced Provider	Core/Cell	Service Outsourced	Internal/ External	Jurisdiction
Artex Risk Solutions (Malta) Ltd	Core/ All Cells	Management & Administration services including Accounting, MLRO, Admin and Co Sec. Compliance, Actuarial	External	EU: Malta
Abbey International Finance Ltd	Core/ All Cells	Internal Audit	Internal	EU: Ireland
Finance One Capital	Finance One	Distribution, Underwriting services and claims handling	Internal	EU: Ireland
Vantage Insurance Services Ltd	AIF	Distribution, Underwriting services and claims handling	External	EU: UK
Westservice S.A.	Absolut	Claims handling	External	EU: Belgium
UIB Holdings UK Ltd	UIB	Distribution, Underwriting Services.	Internal	EU:UK
Compass Underwriting Ltd	UIB	Underwriting assistance and claims handling	External	EU:UK
Freedom Healthnet Ltd	Freedom Health	Distribution, Underwriting services and claims handling	Internal	EU:UK/Germany
FH International SGPS SA	Unlimitedcare	Claims handling	External	EU: Portugal
APS Prevoyance t/a Assurances	Core	Distribution, Underwriting services and claims handling	External	EU: France

The business strategy of the PCC is to insure portfolios of risks on a Freedom of Services basis in various parts of the EU. This strategy results in a need for localised market access, technical, legal and linguistic expertise, and cultural knowledge, in the risk territories, to facilitate the management of the business there. To this end the PCC outsources underwriting, distribution and claims handling services in the Belgium, France, Ireland, Portugal and the UK, as set out in the table above. Oversight of the outsourcing at Advent Board level is undertaken by Mr D Douglas and Ms A Finn.

II. Outsourcing in Malta

Due to its relatively small size the PCC has also determined that outsourcing of its day to day operations in Malta, including the accounting, compliance, company secretarial, anti-money laundering and actuarial functions, provides the best solution for the effective and efficient management of the PCC. These functions are outsourced to the Malta operations of Artex, a global professional insurance management company.

The Internal Audit function is outsourced to Abbey International Finance Limited, the parent company of the PCC. This company is based in Ireland.

Outsourcing risk, and its management, is discussed below under the Risk Profile section.

H. RISK PROFILE

1. UNDERWRITING RISK

I. PCC Underwriting Risk Profile

Underwriting risk at 31st December 2016 comprises 62.57% of the Base SCR which is €7,689,506.
The PCC in its constituent parts is exposed to underwriting risk in the form of various general insurance products covering travel and flight cancellation insurance, personal accident & income protection insurance, private medical insurance, bonds and other forms of financial guarantees. The PCC in its entirety is considered to have low underwriting concentration risk because its underwriting exposures are diversified across unconnected portfolios and Cells and over a wide range of classes, products, risks and territories. Further, the Cells are legally and contractually protected from the losses of other Cells and from the Core.

The underlying control by the PCC of its underwriting risk is the initial assessment of Cell & Core portfolio proposals to ensure they meet the Board's acceptance criteria, the optimum profile being short tail, low individual values, well-spread, medium to high premium volume, consistently profitable history, sustainable product, introduced by experienced specialists with proven track records, and high regulatory and market standing.

Once accepted and established, each Cell, and Core portfolio, has its own separate and distinct underwriting profile and operations, with its own mechanisms for assessing, monitoring and controlling its individual underwriting risks. However, all Cells share a common process centred around individual risk registers, which are qualitative analyses of various risk categories, and individual risk matrices which contain quantitative parameters of risk appetites and tolerances against which risk events are monitored. As underwriting is considered the main risk exposure, scrutiny and analysis of regular detailed premium and claims reported results, vis-à-vis the stated risk tolerances and appetites, are the main methodologies for monitoring and controlling this risk. Results are reviewed at regular committee, Cell and at least quarterly Board meetings.

The nature of the exposures, the concentrations risk within portfolios, the mechanisms for risk assessment and control including risk mitigations, are discussed in the next section for each Cell, and for the Core. The Cell / Core risk exposure profile is discussed in terms of volatility whereby portfolios are considered non-volatile if they have a medium to high volume of low value exposures where a single loss would have a negligible impact on underwriting results or SCR. Portfolios with larger single loss limits are considered more volatile. Concentration and catastrophe risk is measured by the potential for two or more claims to emerge from the same event. Concentration and volatility levels are key criteria for determining the need, or not, for reinsurance protection.

The risks considered on a Cell by Cell basis are: *underwriting pricing risk*, the risk that premiums charged will be insufficient to cover losses: *underwriting reserving risk*, the risk that reserves held will be insufficient to pay for ultimate claims, *underwriting concentration and catastrophe risk,* the exposure of multiple insureds to the same event, and *reinsurance strategy and concentration risk.*

II. Core Underwriting Risk Profile

Exposure: The PCC sells directly from its Core rent default insurance to landlords of mostly residential property based in France. The portfolio consists of a medium volume of relatively low value risk exposures. The maximum contract limit is moderate but with a very low probability of occurrence, based on experience, and a typical large claim within the normal range is materially lower. The portfolio risk profile is assessed as non-volatile, as single losses, even those up to the full contract limit, would not have the capacity to materially affect the underwriting result or the Core's solvency status. The risk exposure is mitigated by robust due diligence procedures on tenants, including credit checks, and a very active approach to loss recovery from defaulting tenants.

Concentration and catastrophe risk: The portfolio is diversified across a wide range of properties and tenants with a reasonable geographic spread across several areas of France, resulting in low concentration risk, albeit with potential exposure to economic downturns.

Pricing risk: The portfolio's underwriting pricing risk is assessed and managed by reference to its historic loss experience, and the experience of similar portfolios in France, and ongoing analysis of actual premium and claim data. As the policies are annual rating can be adjusted on renewal should loss experience deteriorate.

Reserving risk: The occurrence of a loss leading to a claim is known very quickly which aids reasonably accurate estimation of the technical provisions to be set aside for claims, thus reducing reserving risk.

Mitigation: The availability of detailed historic data and the low volatility of the portfolio increase the predictability of the underwriting result and the PCC has not considered it necessary to purchase reinsurance cover to mitigate its Core underwriting risk exposure.

III. Absolut Cell and AIF Cell underwriting risk profile

Exposure: Absolut Cell provides holiday cancellation insurance to customers primarily based in Belgium. AIF Cell provides flight cancellation cover to customers in Spain. Each Cell's underwriting exposure consists of short tail, high volume, very low single value covers. The portfolios are considered non-volatile as individual losses do not have the capacity to materially affect the Cells' underwriting result or solvency position.

Concentration & catastrophe: The concentration risk for each Cell is also low because the insurances are spread over a wide range of unconnected customers in respect of unconnected events. The Cells' exposure to catastrophe risk, the risk of multiple claims arising from one major event, is mitigated by explicit terrorism and war exclusions and is considered low.

Pricing risk: The Cells' underwriting pricing risk is assessed and managed by reference to the portfolios' historic loss experience and the experience of similar portfolios in Belgium and Spain respectively, ongoing analysis of actual premium and claim data, and by pre-defining underwriting acceptance criteria. The short-term, short-tail nature of the risks enables pricing adjustments as necessary, to mitigate this risk.

Reserving risk: Assessment and control of reserving risk is also facilitated by the short tail nature of the risks in each Cell. Claims are both reported and settled very quickly, allowing reasonably accurate projection of ultimate losses.

Mitigation: Because result predictability is enhanced by the availability of detailed historical statistics, low volatility, and the short tail and short term nature of the covers, neither Cell has considered it necessary to purchase reinsurance protection to further mitigate its underwriting risk. In the light of the Cell's underwriting risk profile the Cell accepts this reinsurance strategy risk.

IV. UIB Cell underwriting risk profile

Exposure: This Cell provides income protection and personal accident insurance to customers based in the UK. Single maximum contractual limits are relatively high. However, the probability of the occurrence of a maximum claim is considered low, based on 15 years claim data, and a typical large claim within the normal range is materially lower. The risk profile makes the portfolio one of moderately low volatility, as even rare maximum limit losses would be very comfortably withstood by the Cell and would not materially affect its solvency status.

Concentration and catastrophe risk: UIB Cell has a low to moderate concentration risk because an event accidentally injuring several connected individuals or family members is possible. However, the concentration risk is mitigated by policy inner limits, deferred cover periods, and terrorism exclusions. Catastrophic risk, the risk of several claims from unrelated individuals arising from a single large event, is also considered low because of i) good geographic risk across the UK and Northern Ireland; ii) Terrorism and Pandemic exclusions.

Pricing Risk: The Cell's underwriting pricing risk is assessed and managed by reference to its 15 years of historic loss experience and ongoing analysis of actual premium and claim data. The personal accident policies are monthly and the income protection policies are annual; therefore, rating and underwriting criteria can be adjusted quickly should loss experience deteriorate.

Reserving Risk: Short-tail claim reporting and payment horizons help in the assessment and control of reserving risk.

Mitigation: To further mitigate a major catastrophe involving large numbers of people in a public place, catastrophe excess of loss reinsurance has been purchased to cap the exposure to the Cell's normal exposure level for non-catastrophe events. To further reduce potential result volatility the Cell has purchased stop loss reinsurance which limits its portfolio loss rates, should experience deteriorate generally.

V. Freedom Health Cell Underwriting risk profile

Exposure: Freedom Health Cell's underwriting exposure is derived from the provision of private medical insurance to customers based in the UK and Germany. The Cell's contractual annual limit for one claim is moderately high; however, only a small number of claims a year reach this level, and average claims are materially lower. In addition to annual limits, single claims are controlled by: sub-limits on various procedures; in-patient time limits for certain conditions and treatments; explicit exclusion of pandemic events and negligible accident and emergency risk. Potentially moderate volatility is further reduced by the purchase of reinsurance.

Concentration and catastrophe risk: Freedom Health Cell has a low concentration risk because the cover is sold to individuals with a wide geographic spread across UK and Germany; therefore, the probability of more than one person submitting a claim for medical costs arising out of one event is deemed negligible. For a mass accident health catastrophe, albeit considered of very low probability, the Cell has assessed a potential loss of higher in value than a single maximum loss.

Mitigation: However, to mitigate underwriting risk, including protection against a catastrophe shock, and to increase result predictability, the Cell has purchased 50% quota share reinsurance.

Pricing risk: The Cell's underwriting pricing risk is assessed and managed by reference to several years of historic loss experience and ongoing analysis of actual premium and claims data. The policies are annual allowing underwriting criteria and rating adjustments to be made should the general experience deteriorate.

Reserving risk: Loss reserving and the reduction of reserving risk are facilitated by the relatively short tail nature of the cover, including treatment time limits. This is further aided by the use of health procedures guide prices for surgical and non-surgical treatments, which are updated regularly.

VI. Finance One Cell Underwriting risk profile

Exposures: This Cell provides various types of bonds, mainly construction, performance and custom bonds, for customers based primarily in Ireland. The loss limit exposures are relatively high making the portfolio moderately volatile, but the exposure is mitigated by the application of extensive underwriting due diligence, including detailed financial analysis of the contractor's financial condition, robust credit checks and selective collateral requirements.

Concentration and catastrophe risk: Concentration exists as several bonds may be issued for one contractor. However, the aggregate exposure to a single contractor is contractually capped; further, bond aggregations are rigorously monitored, and are capped by facultative reinsurance arrangements if they exceed standard appetite levels.

Mitigations: A severe economic downturn has the potential to affect more than one contractor. The moderate volatility and the concentration risk are drivers of the decision to purchase 65% quota share reinsurance. In addition to aiding risk mitigation the support of the reinsurance panel over several years provides comfort as to underwriting strategy, criteria and rating. For the 2016 underwriting year, the Cell also purchased excess of loss reinsurance to further reduce its net retention.

Pricing Risk: Risk pricing is guided by industry rating and experience.

Reserving Risk: Loss reserves are set at a conservative level reflective of industry loss levels, and are regularly reviewed. Further, the risk is relatively short tailed, aligned with contract completion when bonds are released, thus mitigating reserving risk.

VII. Underwriting Risk Sensitivities for Cells and Core

The sensitivity of the Cells' and the Core's pricing, reserving, concentration and reinsurance strategy risk to stressed events was tested in the PCC's recent ORSA. Tests included business volume increases combined with hypothetical large increases in loss ratios over and above base case projections. The results demonstrated the ability of all Cells, and Core, to withstand such stresses and still maintain a comfortable margin of own funds over SCR.

2. MARKET RISKS

Interest Rate and currency risk at 31st December 2016 comprise 0.37% and 2.47% of the PCC SCR. The PCC's investment assets at 31st December 2016 are a mixture of bank deposits, parental loans, collective investment schemes, corporate bonds and a small amount of equities.

I. Interest rate risk

The PCC is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Deposits and assets issued at variable rates expose the PCC to cash flow interest risk. Assets issued at fixed rates expose the PCC to fair value interest rate risk. The fair value interest rate risk is considered low since relevant assets principally mature within the short term and are carried at amortised cost. The fair value risk on Debt securities held is also considered negligible, a sensitivity that was tested by assuming an increase / decrease of 1% to interest rates. Cash flow interest risk is also low due to the prevailing low interest rates. Technical Provisions are not directly sensitive to the level of market interest rates, as they are not discounted.

II. Currency risk

The PCC carries some currency risk on some GBP and US$ financial instruments. The GBP risk is associated with the UIB and Freedom Health Cell and the US$ risk is associated with the AIF Cell. The PCC manages currency risk by regular monitoring of the relevant exchange rates, by matching the currency of its assets to the denomination of its liabilities and by reacting to material movements thereto. A sensitivity analysis technique measuring the change in fair value and cash flows of the PCC's financial instruments at the reporting date for hypothetical changes in exchange rates indicated a reasonably significant impact on pre-tax profits should interest rates differ by +/-10%. However, market rates rarely change in isolation and are likely to be inter-dependent. Further the risk measured reflects the consolidated position of the PCC whereas the Cells and Core hold their funds separately and individually match their currency to the denomination of their liability.

III. Other price risk

The PCC Core is exposed to some price risk in respect of listed equity investments included in its investment portfolio, classified as at fair value through profit or loss. The risk is managed and mitigated by the employment of professional investment advisers and careful monitoring of investment instruments and results. The PCC is not subject to significant amounts of other price risk.

3. CREDIT RISK

I. Exposure by Cell and Core

At 31st December 2016 credit risk in the form of counterparty default, spread and concentration risk represented 75.56% of the PCC's SCR. Credit risk is deemed to be the risk that the Company, or any constituent part thereof, is exposed to lower returns or loss if another party fails to perform its financial obligations towards the Company. The PCC's credit risk exposures relate to investment and reinsurance positions as outlined below:

i. *Core:* A majority portion of the Core's investments is subject to a balanced portfolio, consisting predominantly of A or higher rated instruments, managed by professional investment managers. 14.6% is with BBB rated banks and a small portion, 9%, of the Core's overall investment portfolio is with unrated counterparties.

ii. *Absolut Cell:* The majority of Absolut Cell's investment portfolio, 93%, is with BB or higher counterparties.

iii. *AIF Cell:*The AIF Cell has an unrated Group loan exposure; the credit risk is deemed to be minor vis-a-vis a very low level of underwriting risk.

iv. *Finance One Cell:* The majority of the Cell's credit risk rests with BBB (42%), A2 banks (14%) and A or higher rated reinsurers (33%); a small amount of credit exposure to unrated entities exists, in the form of insurance receivables.

v. *UIB Cell:* The major part of UIB Cell assets (92%) is with a BBB rated bank. The balance relates to receivables from unrated insurance entities.

vi. *Freedom Health Cell:* 60% of the Cell's credit risk is with an unrated entity, being receivables from insurance operations with, A- reinsurance receivables representing 32%; the balance is cash on deposit with a BBB rated bank.

vii. *Unlimitedcare Cell:* Unlimitedcare Cell had not commenced operations at 31st December 2017 and currently holds all funds with a BBB rated bank.

II. Management of Credit Risk

The Board applies the *Prudent Person principle* to credit risks and counterparties are selected by taking into account the credit rating of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty. Furthermore the investment function takes account of the credit risk inherent in the PCC's investment and insurance portfolios by adopting cautious practices in identifying investment opportunities, including ensuring reasonable risk spread, by regular monitoring of portfolio performance, and by regular reporting to, and discussion by, the Board.

III. Assessment and risk mitigation techniques used for credit risks

Only counterparties with a high enough credit rating are used, except in some limited cases where counterparties, for example, are group companies. The PCC has multiple counterparties which avoids credit concentration risk on a PCC wide basis albeit a degree of concentration risk exists within Cells.

Assessment and risk mitigation techniques embrace the following methods:

- Minimum rating criteria for the placing of deposits and opening of bank accounts, in line with the Investment policy
- Monitoring the credit ratings of counterparties;
- Reporting of cash, investment and liquidity positions on a quarterly basis as part of the PCC's and Cells' management accounts reporting process;
- Retaining risk within an approved risk appetite and solvency requirements.

Reinsurer credit rating is a main criterion in the selection of reinsurance counterparties, such that only counterparties who are well established multinational reinsurers with at least Standard and Poor's single A (or equivalent), are selected. The range of contracted reinsurance counterparties mitigates the default risk.

IV. Risk sensitivity testing for credit risks

The sensitivity of the PCC and individual Cells to potential credit rating downgrades of its counterparties was assessed, based on hypothetical assumptions including:
- one credit step down for one of the main banks (in relation to three of the PCC Cells)
- a parental credit downgrade in relation to one Cell

In all cases it was demonstrated that each Cell would continue to comfortably meet its solvency capital requirements.

Stress testing for the Core assumed a) a downgrade in all investments and b) the failure of the three largest investments in the professional portfolio. The former showed that the Core's SCR would continue to be very comfortably covered by its own funds; the latter also showed the SCR cover being maintained with a high surplus of own funds, though sensitivity would exist around the Core's MCR in that extreme scenario.

The PCC Core shareholders are committed to maintaining its MCR, and SCR with significant comfort levels, at all times.

4. LIQUIDITY RISK

The Company's exposure to liquidity risk arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that sufficient cash may not be readily available to pay obligations when due at a reasonable cost. The PCC does not consider the risk as significant given the liquidity of its financial assets and the short-term nature of its liabilities.

5. OPERATIONAL RISK

I. Assessment of exposures

Outsourcing is considered the main risk within the systems and operational category because of the heavy reliance on it both by the Core and by individual Cells. The PCC outsources its day to day management in Malta to Artex Risk Solutions Limited, part of the A J Gallagher group. Key functions such as underwriting, distribution and claim handling services are also extensively outsourced to various third parties in Ireland, France, Belgium and UK.

Within the PCC's Outsourcing risk various other risks are present such as those related to cyber/data security, IT network resilience, business continuity planning, data storage, compliance, money laundering, data protection. Other material risks within the outsourcing category include execution, delivery and process management, particularly, poor controls around underwriting and claim handling processes, poor service standards, deliberate mis-selling or acting outside authority levels. Reputation and fraud risk are also concerns. The PCC's people risk is also centred around outsourced operations, reflected in poor recruitment practices, failure to develop, train, manage and retain personnel leading to operational and service problems.

II. Risk mitigation techniques used for operational risks

Key controls are: stringent pre-engagement checks on individuals and operations, written contract terms and detailed service level agreements, regular interactions with Third Party Service Providers (TPSPs) via committee and operational meetings and other communications, regular reports, periodic visits by PCC directors or Managers, internal auditors or other PCC representatives. Such interaction would flag any potential deficiencies of the individual service provider reasonably quickly.

The PCC will undertake a review of TPSP's Business Continuity Plans in 2017. A schedule of onsite visits of key outsourced function holders is being developed so that every key service provider is visited at least biennially by either PCC directors, Managers, internal auditors, or other representatives.

Other systems and operational risks as they relate to Maltese based operations (outsourced locally to Artex), include: inadequate internal controls and accounting systems leading to greater fraud and money laundering risk, and failure to produce timely and accurate financial reports and regulatory returns; cyber risk; shortage of staff and resources. These are considered low to moderate because of employment of a professional management company, regular interaction between Managers and local executive directors, regular onsite visits and meetings, and internal audits.

All operational risks which the PCC is exposed to, are identified and recorded in the risk register. The risks are assessed, decisions made as to monitoring, management and control and then onward reporting to management and the Board. Options for management of these risks include reduction or removal where possible, transfer or acceptance.

Many risks are primarily transferred through outsourcing and indeed the PCC has a relatively high tolerance level for outsourcing risk, as it would not be possible to operate without it due to the need for local (risk territory) access mechanisms, local cultural legal and technical knowledge, language skills, and market connections. However, the PCC remains conscious at all times of its own duty to manage and control outsourcing risk and to ultimately retain full responsibility for the functions that are outsourced.

III. Risk sensitivity for operational risks

The main financial impact to the PCC and Cells, from outsourcing risk, is aligned with underwriting and claim results which would be impacted by poor product design, inadequate underwriting criteria and pricing and inappropriate reserving practices. It is therefore considered to be captured within the underwriting risk sensitivity tests: stress test 1 - an additional 15 (25 for Core) percentage points onto the expected loss ratios, stress test 2 - increased premium levels, and a third stress test combining the first two.

6. COMPLIANCE AND REGULATORY RISK

This is defined as the failure to comply with regulatory laws and rules applicable to insurance companies and PCCs in Malta and at EU level particularly relating to solvency requirements and technical provision calculations.

This risk is considered material for both Core and Cells because of the impact on the business of regulatory sanctions.

Apart from stringent focus on and commitment to regulatory SCR and other compliance, the existence of professional Managers, local executive directors, a compliance function and compliance officer, internal audit function, actuarial function supported by qualified actuary and actuarial support at group level mitigates this risk.

The compliance risk has not been specifically stress tested. However, all stress tests, including reverse stress tests for all components of the PCC contemplate a key risk of failing to meet solvency capital requirement in normal and stressed conditions. Otherwise the risk is considered covered within the base SCR.

7. PCC RISK

I. PCC Strategy Risk

This is defined as inadequate, inappropriate or unrealistic strategic objectives for the PCC as a whole, leading to i) poor Core portfolio selection, poor performance and loss of capital, and ii) poor Cell acceptance criteria leading to risk of exposure to financial loss/capital shortfall within Cells. These risks are considered material for the Core because the PCC could suffer critical financial, regulatory and reputational consequences should either of these scenarios materialise.

However, the probability is considered very low in both cases. The risk is managed by having a well-defined risk acceptance policy for both Core and Cells; by carrying out stringent due diligence on Cell & Core portfolio proposers to ensure that they demonstrate good track records and performance history, and meet high standards of professional integrity, ability, industry reputation, product knowledge and compliance. Once on board the PCC monitors and manages Cell performance by ongoing risk management and controls as discussed elsewhere in this report, including regular focus on financial results, vis-à-vis projections, operational and management issues, and market developments. Monitoring of actual performance, SCR and stress results are the main means of managing and controlling the Cell risk. Any concerns are focused on and discussed at regular, at least quarterly, operational and management meetings.

The risk is further mitigated by the requirement for each Cell to fully meet and exceed its own SCR in normal and stressed circumstances, the sensitivities of which are tested by individual stress tests and reverse stress tests carried out for each Cell, as discussed elsewhere in this report. The Core's sensitivity to Cell performance is also tested by the Cell stress tests and by the tests carried out for the Core's own risk profile.

II. PCC Structural Risk

The PCC structural risk is relevant to each Cell and the Core. It is defined as the impact of problems in or failure by the Core caused by Core underwriting, or by failure of another Cell. This risk is considered of low probability, mitigated by the risk management and controls discussed elsewhere in this report including the requirement for each Cell to maintain its own SCR levels with comfort. Cells are legally protected from the liabilities of other Cells and from the Core. Therefore, the most serious financial impact for a Cell is assessed to be the financial cost associated with moving the Cell to another PCC structure. This cost is assessed as similar to the cost of initial Cell establishment. It was concluded that the existing capital buffer currently carried by each Cell would be sufficient to carry this cost.

III. PCC Reputational Risk

The PCC reputation risk is relevant to each Cell and the Core. This is defined as the impact on a Cell, or the Core, of reputational damage caused by association with other Cells or the Core. This risk is considered relatively low in probability and impact, due to the corporate nature of risks in certain Cells, the commoditised nature of risks in other Cells, and the risk mitigations discussed elsewhere within this report. It was concluded that the existing capital buffer carried by each Cell, and the Core, was sufficient to cater for this risk.

8. EXTERNAL RISK FACTORS

I. Economic Deterioration

The risk of economic deterioration leading to

a) a reduction in Cell take-up or take up of Cell insurance products. Although these scenarios would not be desirable they would not, alone, lead to a deterioration of solvency vis-à-vis risk.
b) poorer underwriting results - the risk of poor loss experience is assessed as part of stress testing.

II. Brexit

Events such as Brexit leading to a reduction in Cell take-up or take up of Cell insurance products. Although these scenarios would not be desirable they would not, alone, lead to a deterioration of solvency vis-à-vis risk. Further, the negative aspects will potentially be offset by other opportunities which may arise out of Brexit or similar, for Cell usages e.g. fronting European risks for UK wholesale insurance markets. However, the full implications for those cells writing UK business from Malta on a Freedom of Services basis will be considered as Brexit plans develop and more is known. Brexit is considered a risk relating to the modus operandi of these Cells, but not in terms of SCR cover vis-à-vis underlying risk exposures.

I. REGULATORY BALANCE SHEET

I. Assets

Below is a summary of the assets of the Core and Cells combined as at 31 December 2016.

	Statutory accounts €	Solvency II value €	Commentary
Financial assets	2,659,360	2,659,360	See 1 below
Deferred tax asset	16,731	295,761-	See 2 below
Reinsurers' share of technical provisions	2,330,476	904,235	See 3 below
Loans and receivables	10,075,615	10,075,615	See 4 below
Direct insurance operations receivables	4,205,166	4,205,166	See 5 below
Deferred acquisition costs	1,216,731		See 6 below
Pre-payments and accrued income	226,351	226,351	
Unpaid capital	-	318,147	
Cash at bank	7,576,741	7,576,741	See 7 below
Total Assets	28,307,171	26,261,376	

The valuation principles applied to these assets are consistent with those used in the Statutory accounts (IFRS), notably:

I. Financial assets are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets. All financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment. All of the financial investments for the company have been looked through to identify the underlying exposures.

II. Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

III. Technical provisions are considered to be current in nature.

- Prior to 2016, the core entered into an agreement with its parent company whereby the core granted a loan of €200,000. The initial term is to be for one year, extendable thereafter if required by mutual consent of both parties and bears an interest rate.
- Prior to 2016, Cell 2 entered into an agreement with its parent company whereby the cell granted a loan of $1,450,000. The loan is unsecured and is repayable upon demand. This loan has been extended to 6 February 2017.

- During 2016, the term of this loan was extended for another year to November 2017. In 2016, Cell 1 entered into an agreement with its parent company whereby the cell granted a loan of €8,500,000. The initial term is for one year, extendable thereafter if required by mutual consent of both parties and bears an interest rate. Due to the short term nature of the loan, the carrying amount approximates the loan's fair value. The fair value of loans and receivables are deemed to be a Level 2 measurement.

IV. Receivables arising out of direct insurance operations represent amounts due from policyholders and agents. These amounts are collected and remitted to the Cells by related entities on a monthly basis.

V. Deferred acquisition costs (DAC)that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, which is typically a period of between one to three years. These are capitalised and shown as DAC in the balance sheet. DAC are amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred. Deferred acquisition costs are not recognised for Solvency II valuation of assets.

VI. Cash at bank comprise call deposits with maturities of three months or less and are carried at face value.

II. Technical Provisions

The technical provisions comprise the best estimate of liabilities and risk margin according to articles 75 to 86 of the Solvency II Directive. The best estimate liability reflects a realistic estimate of future claims based on past experience with adjustments for expected deviations in the future.

The IFRS Accounts of the Company include provisions for claims incurred based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims incurred but not yet reported (IBNR). An overview of the technical provisions for the year ended 31 December 2016 is as follows:

	Statutory accounts £	**Solvency II value** £
Technical provisions – non-life (excluding health)	6,179,172	
Best estimate		1,656,352
Risk Margin		735,956
Technical provisions – (health – similar to non life)		
Best estimate		1,838,111
Risk Margin		199,075

In general the IBNR has been estimated using techniques where the predicted rate of notification of IBNR is based largely on calendar year loss ratios. The initial expected loss ratios assumptions are based on a combination of past experience and judgement on the best estimate ultimate loss ratio. The technical provisions are discounted using the risk free rate with no volatility adjustment produced by EIOPA.

The main assumptions in the reserving exercise relate to the nature of the underlying insured risks and is the average cost per claim, the future number of claims projected, as well as trends in inflation (where applicable). The inherent uncertainty in insurance claims makes it likely that historical data will not be wholly predictive of the actual future emergence and development of claims. A substantial measure of judgement is involved in both establishing the individual claims provisions and in interpreting past claims experience as part of the process of establishing the total claims provision.

The risk margin is added to the best estimate liability. This margin is calculated in accordance with Article 37 of the Commission Delegated Regulation (EU) 2015/35 whereby an additional margin is added to the best estimate liability to ensure that the technical provisions as a whole are equivalent to the amount that an insurance undertaking would be expected to require in order to take over the insurance obligations.

The key areas of uncertainty around technical provisions are as follows:

1. Estimation of outstanding loss reserves (“OSLR”) – while information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty.
2. Estimation of the losses relating to claims which have been incurred but not reported (“IBNR”) – this is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is not known at the time of reserving.
3. Estimation of claims arising on business which have not yet expired (“unexpired risks”) – this is uncertain as the claims have not yet been incurred, but are expected to be incurred on the business which the Company has written.
4. Market environment – changes in the market environment increase the inherent uncertainty affecting the business, in particular, claims inflation.
5. Events not in data (‘ENID loading’) – estimating a provision for events not in data is subject to considerable uncertainty as the events being reserved have not been observed.
6. Run-off expenses – the estimation of the change in expense base for run off of the Company is inherently uncertain due to the estimations around the period of the run off, base costs and inflation.
7. Risk margin – the risk margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run off. This therefore shares the same uncertainties of the run off expenses provision considered above, as well as the inherent uncertainties around forecasting future solvency capital requirements.

The Company manages the risks around these uncertainties via the following actions:

1. Ongoing monitoring of claims, including regular reviews of claims handling functions.
2. Internal controls through the Board and actuarial function which monitor claims development.
3. Regular external actuarial reviews.

There have been no changes in the assumptions made since the previous period, other than the fact that this is the first time technical provisions have been reported under both an IFRS and a Solvency II basis.

III. Other liabilities

There were no material differences of other liabilities.

IV. Any other disclosures

There are no further disclosures.

J. CAPITAL MANAGEMENT

I. Function of Capital Management

Own funds of the PCC and its constituent parts are managed as part of the financial and solvency management processes which are a focal point at every quarterly Board meeting and at every quarterly Cell committee meeting. At these meetings, the ratio of eligible own funds over SCR and MCR are reviewed, by the Board for the Core and the PCC as a whole, and by the individual Cell committees for the particular Cell.

As part of own fund management, and within its ORSA process during which risk and capital management functions interact, the PCC prepares ongoing annual solvency projections with three-year time horizons. As part of this process it reviews the structure of own funds to ensure that they will be sufficient and of the appropriate quality to satisfy future requirements.

II. Capital Management methods employed

The PCC is required to hold regulatory capital for its general insurance business in compliance with the Insurance rules issued by the Malta Financial Services Authority ("MFSA") which are founded on the EU wide Solvency II regime.

The minimum capital requirement must be maintained at all times throughout the period and the PCC monitors its capital level on a regular basis. The PCC's minimum capital requirement absolute floor stands at €3,700,000 as per Chapter 5 of Malta's Insurance Rules. At least this level of capital must be, and is, held by the Core at all times. Further, the Cells are individually required by their licensing conditions to maintain their own SCR, as determined by their own risk profiles.

In terms of Legal Notice 412 or 2007 of the Companies Act (Cell Companies carrying on business of insurance), where any liability arises which is attributable to a particular Cell company:

a. the Cellular assets attributable to that Cell shall be primarily used to satisfy the liability;
b. the Company's Core assets shall be secondarily used to satisfy the liability, provided that the Cellular assets attributable to the relevant Cell have been exhausted; and
c. any Cellular assets not attributable to the relevant Cell shall not be used to satisfy the liability.

The PCC has taken the following safeguards in this respect:

a. if the assets of the Cells are at any time insufficient to meet any payments, liabilities or obligations due or about to become due by the Cell, the PCC shall notify the Cell owners in writing and the Cell owners shall ensure forthwith that the Cell is adequately funded to meet all payments, liabilities or other obligations due or becoming due by the Cell; and

b. in the event that the Cellular Assets of the Cell are exhausted, the Cell Owner agrees to indemnify the PCC for any assets paid or otherwise transferred to creditors of the Cell.

In order to maintain or adjust the capital structure, the PCC may issue new shares or capitalise contributions received from its shareholders, both ordinary and Cellular.

III. Own Funds

a. Own Funds Management Objectives

- To maintain, at all times, sufficient own funds, of the quality required by virtue of Article 82 of the Delegated Regulations, to cover with comfort the SCR and MCR of the Core and each Cell within the PCC with a good level of comfort.
- To ensure sufficient capital funding in order that the PCC, including its constituent Cells may continue as a going concern;
- To safeguard the interests of the policyholders arising from the PCC's contractual obligations;
- To provide adequate return for shareholders; and
- To ensure that shareholder and other stakeholder interests are safeguarded at all times.
-

b. Structure of Own Funds

Only the Company's tier 1 own funds may be used towards meeting the Minimum Capital Requirement. The Company classifies its own funds as tier 1, tier 2 or tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses.

Company's own funds as at 31 December 2016 are as follows.

Own Fund item	Tier	£	%
Share Capital	1	3,310,000	22.03
Reconciliation Reserve	1	11,718,078	77.97
		15,028,078	**100.00**

c. Ancillary Own Funds

Freedom Health Cell has unpaid and uncalled ordinary share capital callable on demand of €318,147 in addition to paid up share capital of €509,035.

IV. MCR and SCR

Solvency Capital Requirement (SCR)

The SCR of the Company as at 31 December 2016 was €10,069,213. Own funds available to meet the SCR are €12,963,128 resulting in a ratio of eligible own funds to SCR of 1.21.

The SCR of the Company is made up as follows:

1. Market Risk - the Company is exposed to market risks derived predominately from the assets held by the Company to meet its insurance liabilities although exposures to shocks in interest rates and currency rates also consider the exposure from underwriting risks.

2. Counterparty Risk - the Company is exposed to counterparty risks in the form of cash deposits (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2).

3. Health & Non-life Underwriting Risks - the Company is exposed to non-life underwriting risk as a result of the insurance policies it sells. The risks are based on volatility around earned premiums and claims reserves, and to catastrophe events to which the Company may be exposed.

4. The final solvency capital requirement of the Company is the aggregation of the market, counterparty and non-life underwriting risks, less a credit for diversification, and then an additional charge to represent the operational risks faced by the Company and the Group.

Component	€ '000
Market risk	695
Counterparty risk	9,447
Health underwriting Risk	2,818
Non-life underwriting risk	6,475
Basic SCR diversification	(4,583)
Operational risks	609
Loss-absorbing capacity of deferred taxes	(4,768)
Solvency Capital Requirement	**10,692**

The Company has not utilised simplified calculations in applying the standard model and there has been no use of undertaking specific parameters in the non-life underwriting risk calculations.

Minimum Capital Requirement (MCR)

The MCR of the Company as at 31 December 2016 was €3,700,000. Own funds available to meet the MCR are €12,675,878 resulting in a ratio of eligible own funds to MCR of 3.43.

The inputs used to calculate the MCR of the Company are as follows:

	Net best estimate technical provisions €	Net written premiums in the last 12 months €
Medical expense	526	2,521
Income protection	800	2,930
Fire and other damage to property	1	2
Credit & suretyship	277	198
Miscellaneous financial loss	986	9,255

	€ '000
Linear MCR	1,881
SCR	10,692
MCR cap	4,811
MCR floor	2,673
Combined MCR	2,673
Absolute floor of the MCR	3,700
Minimum Capital Requirement	**3,700**

This is the first period in which the Solvency Capital Requirement and Minimum Capital Requirement have been reported and therefore no changes have been disclosed.

V. Any other disclosures

There are no other disclosures to be made.

Quantitative Reporting Templates

Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	10,004	9,685		318	
Share premium account related to ordinary share capital	**R0030**					
	R0040	690	690			
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	1,983	1,983			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**	287				287
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	12,963	12,358		318	287
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive	**R0370**					

2009/138/EC						
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	12,963	12,358		318	287
Total available own funds to meet the MCR	R0510	12,676	12,358		318	
Total eligible own funds to meet the SCR	R0540	12,963	12,358		318	287
Total eligible own funds to meet the MCR	R0550	12,676	12,358		318	
SCR	R0580	10,692				
MCR	R0600	3,700				
Ratio of Eligible own funds to SCR	R0620	1				
Ratio of Eligible own funds to MCR	R0640	3				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	15,525	-
Own shares (held directly and indirectly)	R0710		-
Foreseeable dividends, distributions and charges	R0720		-
Other basic own fund items	R0730	10,980	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	2,562	-
Reconciliation reserve	R0760	1,983	-
Expected profits			-
Expected profits included in future premiums (EPIFP) - Life business	R0770		-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780		-
Total Expected profits included in future premiums (EPIFP)	R0790		-

Balance Sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	296
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	2,659
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	541
Equities - listed	**R0110**	541
Equities - unlisted	**R0120**	
Bonds	**R0130**	1,064
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	1,064
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	1,054
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	10,076
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	10,076
Reinsurance recoverables from:	**R0270**	904
Non-life and health similar to non-life	**R0280**	904
Non-life excluding health	**R0290**	392
Health similar to non-life	**R0300**	512
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	4,205
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	226
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	318
Cash and cash equivalents	**R0410**	7,577
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	26,261
		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	4,429
Technical provisions – non-life (excluding health)	**R0520**	2,392
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	1,656
Risk margin	**R0550**	736
Technical provisions - health (similar to non-life)	**R0560**	2,037
TP calculated as a whole	**R0570**	

Best Estimate	**R0580**	1,838
Risk margin	**R0590**	199
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	9
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	2,381
Reinsurance payables	**R0830**	2,211
Payables (trade, not insurance)	**R0840**	1,024
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	682
Total liabilities	**R0900**	10,736
Excess of assets over liabilities	**R1000**	15,525

Technical Provisions by Line of Business

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Fire and other damage to property insurance	Credit and suretyship insurance	Miscellaneous financial loss	Total Non-Life obligation
		C0020	**C0030**	**C0080**	**C0100**	**C0130**	**C0180**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	**R0060**	465	69	0	264	197	995
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	225			128		354
Net Best Estimate of Premium Provisions	**R0150**	240	69	0	135	197	641
Claims provisions							
Gross	**R0160**	573	730	1	405	790	2,500
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	287			264		550
Net Best Estimate of Claims Provisions	**R0250**	287	730	1	142	790	1,949
Total Best estimate - gross	**R0260**	1,039	800	1	669	986	3,494
Total Best estimate - net	**R0270**	526	800	1	277	986	2,590
Risk margin	**R0280**	96	103	3	39	694	935
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0290**						
Best estimate	**R0300**						
Risk margin	**R0310**						
Technical provisions - total							
Technical provisions - total	**R0320**	1,134	903	4	708	1,681	4,429
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	512			392		904
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	622	903	4	316	1,681	3,525

Overall SCR Calculation

Solvency Capital Requirement - for undertakings on Standard Formula

- - -

-		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	695	-	
Counterparty default risk	R0020	9,447	-	
Life underwriting risk	R0030			
Health underwriting risk	R0040	2,818		
Non-life underwriting risk	R0050	6,475		
Diversification	R0060	-4,583	-	-
Intangible asset risk	R0070		-	-
Basic Solvency Capital Requirement	R0100	14,852	-	-

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	609
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-4,768
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	10,692
Capital add-on already set	R0210	
Solvency capital requirement	R0220	10,692
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

MCR Calculation

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	1,881

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	526	2,521
Income protection insurance and proportional reinsurance	**R0030**	800	2,930
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**		
Other motor insurance and proportional reinsurance	**R0060**		
Marine, aviation and transport insurance and proportional reinsurance	**R0070**		
Fire and other damage to property insurance and proportional reinsurance	**R0080**	1	2
General liability insurance and proportional reinsurance	**R0090**		
Credit and suretyship insurance and proportional reinsurance	**R0100**	277	198
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	986	9,255
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	**R0200**	

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk

		C0050	C0060
Obligations with profit participation - guaranteed benefits	**R0210**		
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**		
Other life (re)insurance and health (re)insurance obligations	**R0240**		
Total capital at risk for all life (re)insurance obligations	**R0250**		

Overall MCR calculation

		C0070		
Linear MCR	**R0300**	1,881		
SCR	**R0310**	10,692	-	-
MCR cap	**R0320**	4,811		
MCR floor	**R0330**	2,673		
Combined MCR	**R0340**	2,673		
Absolute floor of the MCR	**R0350**	3,700		
-	-	**C0070**		
Minimum Capital Requirement	**R0400**	3,700		