ADVENT INSURANCE PCC LIMITED

GROUP AND SOLO SOLVENCY AND FINANCIAL CONDITION REPORT

31^{ST} DECEMBER 2018

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A. EXECUTIVE SUMMARY

This report provides the **Solo SFCR data** in relation to the business and performance of Advent Insurance PCC Limited, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management (the PCC). The report's purpose is to assist interested parties in understanding the capital position of the PCC.

In addition to the **Solo SFCR data** for Advent Insurance PCC Limited and all of its constituent Cells, this report also encompasses the **Group SFCR data**, where relevant, for the Advent Insurance PCC Group ("the PCC Group") which is comprised of:

Advent International Holdings Limited (formerly AIF Holdings Limited)
Advent Insurance PCC Limited – for its ordinary non-cellular shares
Advent Insurance PCC Limited – AIF Cell
Advent Insurance PCC Limited – Finance One Cell

Advent International Holdings Limited (AIHL) is a company registered in Malta, incorporated on 4th March 2011. Its Directors consider that its ultimate controlling party is Abbey International Finance Limited, a company registered in Ireland.

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 AIHL. The PCC 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 7 classes of "Cell shares", each class being in respect of one of the PCC's six Cells, and €4,440,000 ordinary shares of €1 each, of which €4,070,000 is paid up.

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, in the event that the Cellular assets attributable to the relevant Cell have been exhausted. Cellular assets not attributable to the relevant Cell may not be used to satisfy that Cell's 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

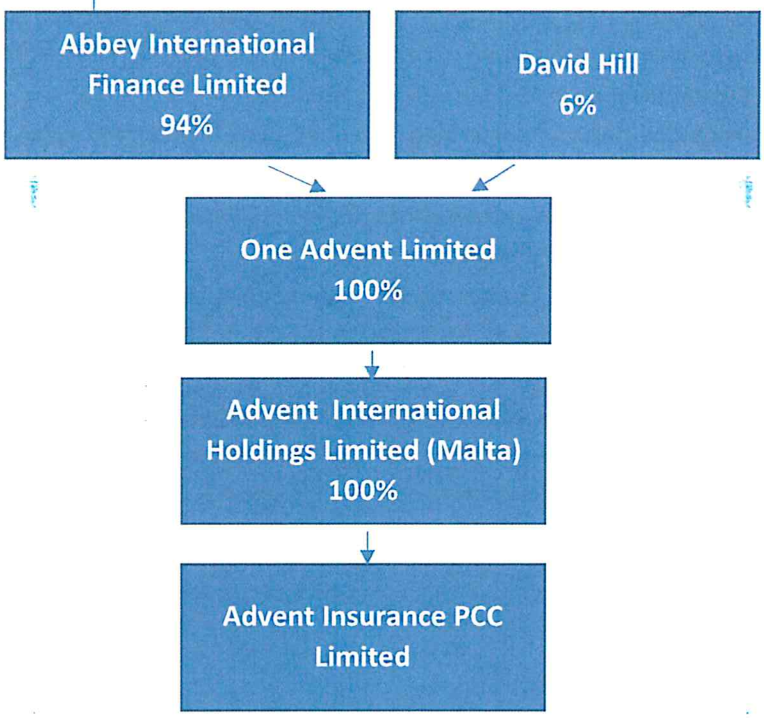
B. BUSINESS AND EXTERNAL ENVIRONMENT

1. 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.

2. Ownership structure

The PCC's ordinary non-cellular shares are wholly owned by Advent International Holdings Limited ("AIHL"), (formerly 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 also have the above ownership structure.

As Advent International Holdings Limited, Advent Insurance PCC Limited Core (for ordinary shares excluding third party cellular shares), Finance One Cell and AIF Cell share common ownership, they comprise the PCC Group. In addition to the Solo data provided herein for the PCC, data pertaining to the PCC Group will also be provided in this report.

For the purposes of group solvency, method 1 – accounting consolidation based method – has been used.

3. Third party ownership of third party cellular shares

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.

4. Activities of the Core

During 2018 the PCC's Core continued to write the French loss of rent cover, and wrote a full year of missed flight cover, which it commenced writing on 1st October 2017, to customers of a Spanish airline, (previously written in the AIF cell). Activities of Cells - At 31st December 2018 the PCC had the following operational Cells:

- Absolut Cell: This Cell provide, under general insurance Class 16 (Miscellaneous Financial Loss), travel insurance to customers based primarily in Belgium, plus Loss of Licence insurance (affiliated risk)
- Finance One Cell: This provided, under general insurance Class 15 (Suretyship), various types of bonds, mainly construction, performance and custom bonds, to customers based primarily in Ireland. The Cell ceased writing business at 31st December 2017 and went into run-off. During 2018 it commenced the process of transferring its run-off portfolio of risks to Advent Insurance DAC (Ireland). The transfer is expected to take place during the 3rd quarter of 2019, following which the cell will be closed. Pending the transfer, the cell reinsured its net retention to Advent Insurance DAC during December 2018.
- AIF Cell: All of this cell's underwriting liabilities were considered fully expired at 31st December 2017. The cell is expected to close during the 3rd quarter of 2019.
- 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. The cell has ceased writing new business with effect from 1st March 2019 and is in run-off.
- 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 began underwriting during 1st quarter 2018.
- Autorama Cell: This cell commenced operations during 2018, writing motor guaranteed auto protection, and return to invoice finance 'gap' cover, and property damage for business equipment, in the UK.

5. Related Party Transactions

During 2018 the PCC entered into various transactions with parties which are subject to common control. All transactions were 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.

6. Performance from underwriting activities – PCC Solo Data

The PCC's underwriting performance in the past two years is summarised below by Line of business and geographical area. The underwriting performance information given in this section is on an IFRS basis. The PCC's functional currency is Euro, although two Cells operate in GBP.

PCC SOLO DATA – TECHNICAL RESULT - YEAR ENDED 31ST DECEMBER 2018 (EURO)										
	CREDIT & SURETYSHIP	PROPERTY	MISCELLANEOUS FINANCIAL LOSS				MEDICAL EXPENSES	MEDICAL	INCOME PROTECTION	TOTALS
GEOGRAPHICAL AREA	IRELAND	FRANCE	FRANCE	UK	SPAIN	BELGIUM	UK	PORTUGAL	UK	
Premiums Earned	706,015	41,758	793,405	69,506	89,207	10,492,884	8,512,899	58,652	5,468,995	26,233,322
Reinsurance Outwards	42,420	0	0	0	0	-	-1,916,201	0	-16,955	-1,890,736
Gross Claims Incurred	-1,259,018	-23,799	-452,191	-18,810	-28,413	-3,131,540	-4,680,494	-629	-1,371,423	-10,966,317
Net Operating Expenses	-201,210	-10,440	-198,349	-41,124	-52,668	-210,375	-5,030,890	-44,570	-3,396,326	-9,185,952
Other Technical Income	129,665	0	0		0		1,739,000		-	1,868,665
Technical UW Result	**-582,128**	**7,519**	**142,865**	**9,572**	**8,126**	**7,150,969**	**-1,375,686**	**13,453**	**684,291**	**6,058,981**

PCC SOLO DATA – TECHNICAL RESULT - YEAR ENDED 31ST DECEMBER 2017 (EURO)										
	CREDIT & SURETYSHIP	PROPERTY	MISCELLANEOUS FINANCIAL LOSS				MEDICAL EXPENSES	MEDICAL	INCOME PROTECTION	TOTALS
GEOGRAPHICAL AREA	IRELAND	FRANCE	FRANCE	UK	SPAIN	BELGIUM	UK	PORTUGAL	UK	
Premiums Earned	991,597	36,365	690,926	0	136,527	10,748,754	7,078,364	0	5,311,337	24,993,870
Reinsurance Outwards	-447,546	0	-	-0	-	-	-1,907,856	-0	-52,194	-2,407,596
Gross Claims Incurred	-347,059	-27,273	-508,391	-0	-35,173	-4,279,211	-3,262,646	-0	-1,457,687	-9,917,440
Net Operating Expenses	-252,566	-9,091	-182,535	-0	-65,774	-187,500	-2,889,354	-0	-1,937,702	-5,524,522
Other Technical Income	280,003		-	0	-		1,666,983	0	-	1,946,986
Technical UW Result	**224,429**	**1.00**	**0**	**0**	**35,580**	**6,282,043**	**685,491**	**0**	**1,863,754**	**9,091,298**

The differences between the underwriting activity of 2017 and 2018 years, from the **PCC Solo** perspective, are summarised below:

Overall, earned premium increased by 5% over 2017 although Ireland, Belgium and Spain saw decreases. Ireland's earned premium fell as the surety business entered into run-off. The PCC's Belgian earned premium also fell slightly, by 2%. However, French earned premium increased by 15%, UK medical insurance earned premium increased by 20%, and UK income protection premium increased by 3%. The PCC also wrote small amounts of Portuguese medical insurance, and UK Miscellaneous Financial Loss insurance, as the Unlimited Care and Autorama cells respestively commenced operations.

Although the claim results were mixed across the portfolio, overall the increase in consolidated claims was 10.5%. However, a 66% increase in technical expenses, made up of increases in commissions and a provision for doubtful debt, caused underwriting profit to fall by 33%.

7. Performance from underwriting activities – PCC Group Data

PCC GROUP DATA – PERFORMANCE FROM UNDERWRITING ACTIVITIES

YEAR ENDED 31ST DECEMBER 2018 (WITH COMPARATIVE DATA FOR 2017)

	CREDIT & SURETYSHIP (2018)	CREDIT & SURETYSHIP (2017)	PROPERTY (2018)	PROPERTY (2017)	MISCELLANEOUS FINANCIAL LOSS (2018)		MISCELLANEOUS FINANCIAL LOSS (2017)		TOTALS (2018)	TOTALS (2017)
GEOGRAPHICAL AREA	**IRELAND**	**IRELAND**	**FRANCE**	**FRANCE**	**FRANCE**	**SPAIN**	**FRANCE**	**SPAIN**		
Premiums Earned	706,015	991,597	41,758	36,365	793,405	89,207	690,926	136,527	1,630,385	1,855,415
Reinsurance Outwards	42,420	-447,546	0	0	0	0	-	-	42,420	-447,546
Gross Claims Incurred	9,018	-347,059	-23,799	-27,274	-452,190	-28,413	-508,391	-35,172	-1,763,421	-917,896
Net Operating Expenses	-201,210	-252,566	-10,440	-9,091	-198,349	-52,668	-182,535	-65,774	-462,667	-509,966
Other Technical Income	129,665	280,003	0		0	0	-	-	129,665	280,003
Technical UW Result	**-582,127**	**224,429**	**7,519**	**0**	**142,864**	**8,126**	**0**	**35,581**	**-423,618**	**260,010**

Overall the earned premiums decreased by 12% during 2018, as the Irish surety business entered run-off. The Spanish airline business also saw reduced premium. These decreases were slightly offset by increases in French earned premium. During 2018 the core releasesd some profits from the French loss of rent portfolio, following development of loss history and supported by an actuarial study. However, negative results in the surety portfolio brought a material deterioration in the consolidated group technical underwriting results.

8. Performance from investment activities

I. PCC Solo Finance and Investment gains

The finance income and investment gains earned by the PCC during 2018, compared with 2017, are summarised in the following tables.

PCC SOLO – INVESTMENT INCOME FOR YEAR ENDED 31.12.2018			
Income	**Core**	**All Cells**	**TOTALS**
Income on Cash at Bank	119	5,448	5,567
Investment Income including Group Loans	40,927	280,770	321,697
Net gains on Investments	258,929	-8,180	250,749
Unrealised FX gains and losses	-71,674	53,983	-17,691
Total	**228,301**	**332,021**	**560,322**

PCC SOLO – INVESTMENT INCOME FOR YEAR ENDED 31.12.2017			
Income	**Core**	**All Cells**	**TOTALS**
Income on Cash at Bank	19	3,380	3,339
Investment Income including Group Loans	24,880	227,381	252,251
Net gains on Investments	30,764		30,764
Unrealised FX gains and losses		-210,790	210,790
Total	**55,663**	**19,971**	**75,634**

The Core enjoyed a material gain on foreign currency exchange, on its US$ cash based instruments. Otherwise, the main source of investment income was from interest on group loans.

II. PCC Group Finance and Investment gains

PCC GROUP - INVESTMENT INCOME FOR YEAR ENDED 31.12.2018				
Income	**AIHL**	**Core**	**Group Cells**	**TOTALS**
Income on Cash at Bank	137	119	373	629
Investment Income inc. Loan interest		40,927	74,595	115,522
Net gains on Investments	92,951	258,929	-	351,880
Unrealised FX gains and losses		-71,674	55,781	-15,893
Total	**93,088**	**228,301**	**130,749**	**452,138**

PCC GROUP - INVESTMENT INCOME FOR YEAR ENDED 31.12.2017				
Income	**AIHL**	**Core**	**Group Cells**	**TOTALS**
Income on Cash at Bank	12	19	1,068	1,099
Investment Income inc. loan interest		24,880	44,543	69,423
Net gains on Investments				0
		30,764		30,764
Unrealised FEX G/(L)		0	-209,802	-209,802
Total	**12**	**55,663**	**-164,191**	**-108,516**

9. Other Income

The Core earned facility fees of €216,435 in 2018, compared with €149,000 in 2017.

10. Operating and Other Expenses.

I. PCC Solo Operating and Other Expenses

PCC SOLO – OPERATING EXPENSES YEAR ENDED 31ST DECEMBER 2018 WITH COMPARATIVE 2017 DATA						
	Core 2018	**Core 2017**	**Cells 2018**	**Cells 2017**	**Total 2018**	**Total 2017**
Acquisition costs	256,829	190,776	6,744,845	4,822,336	7,001,674	5,013,112
Commissions received	-	-	-1,726,384	-1,946,996	-1,726,384	-1,946,996
Claims Handling fee	4,630	850	507,900	510,560	512,530	511,410
Administration Expenses	273,437	202,358	928,933	532,666	1,202,370	735,024
Totals	**534,896**	**393,984**	**6,455,294**	**3,918,566**	**6,990,190**	**4,312,550**

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 and claims handling fees expensed during 2018 represent commissions payable to agents for introducing the business, and for services, including claims handling, related to managing the business in the risk territories. The increases in acquisition costs over 2017 are generally in line with increases in earned premium, except for the UK income protection business in respect of which the commission rate rose by over 20 percentage points. The Irish surety business acquisition costs include some solvency II related expenses, which were included in the statutory accounts due to the impending loss portfolio transfer.

II. PCC Group Operating / other expenses

PCC GROUP – OPERATING EXPENSES YEAR ENDED 31ST DECEMBER 2018 WITH COMPARATIVE 2017 DATA								
	AIHL 2018	**AIHL 2017**	**Core 2018**	**Core 2017**	**Group Cells 2018**	**Group Cells 2017**	**Total 2018**	**Total 2017**
Acquisition costs	-		256,829	190,776	399,881	313,850	656,710	504,626
Commissions received	-		-	-	-129,665	-268,558	-129,665	-268,558
Claims Handling fee	-		4,630	850	-	4,490	4,630	5,340
Administration Expenses	17,621	13,389	273,437	202,358	136,878	211,197	427,936	426,944
Totals	**7,621**	**13,389**	**534,896**	**393,984**	**407,094**	**260,979**	**959,611**	**668,352**

The changes in acquisition costs, and commissions received, over 2017 are generally in line with movements in earned premium. However, as mentioned under SOLO, the Irish surety business acquisition costs include some solvency II related expenses which were included in the statutory accounts due to the impending loss portfolio transfer.

C. SYSTEM OF GOVERNANCE

1. General Governance Arrangements – Board and Management and Committees

I. The Board of Directors of the AIHL

The Board of Directors of the group holding company, AIHL, consists of John Prosser, Derek Douglas, Christian Farrugia, James Dunbar-Cousin. All of these individuals are also directors of the PCC. As the PCC is the main operational arm of the Group the references in this section to the 'Board' are largely to the Board of Directors of the PCC.

II. The Board of Directors of the PCC

The PCC is managed by an active Board of Directors. At 31st December 2018 the Board had five directors, three of whom were resident in Malta. The Board members are: John Prosser (Ireland), Derek Douglas (UK), Mr. David Hill (UK), Christian Farrugia (Malta), James Dunbar Cousin (Malta), Anne Finn (Malta). 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.

III. 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, David Hill, 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.

IV. 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.

V. 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.

VI. 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 help 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.

VIII Fit and Proper Processes and Procedures

It is the PCC's policy to ensure that:

i. 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
ii. All actual or potential conflicts of interest that directors or function holders may have are identified, avoided or managed as necessary
iii. 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.
iv. All employments are subject to a trial period and all outsourcing and consultancy arrangements are cancellable.
v. 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
vi. The performance and integrity of individuals are monitored and evaluated on an ongoing basis through interaction and four eyes output review and assessment
vii. Outsourced service providers nominate a person to be responsible for the function who is subject to the PCC's fit and proper assessments.

D. RISK MANAGEMENT SYSTEM

As the PCC is the main operational arm of the Group the references in this section to the 'Board' are largely to the Board of Directors of the PCC.

1. 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.

2. 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
Policy on Appropriateness of Regulatory Information	ORSA Policy
Asset & Liability Management (ALM) Risk Policy	Capital Management Policy

3. 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:

- Defines the risk categories which are relevant to the PCC /Cell.
- Defines the methods to be used to measure the risk.
- 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.

4. Strategy for managing Insurance and Investment Risks

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

i. Select quality insurance risks with skilled underwriting assessment
ii. Retain insurance risk within approved risk appetite and solvency requirements
iii. Reinsure insurance risk above the selected net retention levels

iv. Handle claims and reserving risk with suitable expertise and quality information
v. Diversify investment risk through careful selection and ongoing review and management
vi. Invest in instruments and deposits that offer it security, quality, liquidity, accessibility and profitability
vii. Monitor changing environment and market conditions that affect risk

5. Strategy for managing other risks

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

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

6. 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:

i. At least annually the Board reviews the PCC's risk register to ensure that all significant risks are adequately measured, monitored and controlled. The risk registers of each individual cell are discussed at least twice a year by the cell committees and issues reported upwards to the board.
ii. At least annually the Board reviews the individual risk policies for appropriateness and adherence
iii. At least quarterly, reporting of cash, investments and liquidity positions, including those of the individual Cells, takes place; these will in future be augmented by detailed aged debtors' reports
iv. At least quarterly, reporting of premium and claim positions for the Core and each individual Cell, takes place
v. At every quarterly Board meeting the PCC's compliance function reports on its monitoring of compliance with the compliance policy

7. 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 Assessment' and monitored on an ongoing basis for effectiveness and inclusiveness.

Risk management is discussed further under the RISK PROFILE section.

E. OWN RISK AND SOLVENCY ASSESSMENT

1. 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.

2. 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 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.

3. 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.

4. 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.

F. INTERNAL CONTROL SYSTEM

As the PCC is the main operational arm of the Group this section focuses on its internal control system. However, the same management and control structures, where relevant, also apply to AIHL, the holding company.

1. 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 professional managers and service providers, to help ensure that internal controls are in place to protect the PCC. 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. It supervises cell and operational management activities, including outsourced functions, through regular meetings and interaction between its executive directors and outsourced managers and service providers, and through the receipt of regular and exceptions reporting.

2. Local Managers

Local internal controls are effected through professional Insurance Managers, Artex, who operate under written management agreements and provide management services to the PCC and all cells and also the PCC Group holding company, AIHL. 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. 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. Specific controls in place include **preventive measures such as:** four eyes review of transactions and reports, separation of duties between initiation and approval of, **by at least 2 signatures,** all bank tranactions and contracts; passport controlled computer and office access; **detective measures such as:** monthly reconciliations of bank accounts, checking of bordereaux data against guidance manuals and claims against policy data, random checks on policy and claim files held by outsourcers, onsite reviews and internal audit; **corrective measures** such as data backups, data validity tests, variance reports.

3. 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.

4. 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.

5. External oversight

External oversight of internal controls is provided by the Internal Audit function. 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.

6. 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.

G. INTERNAL AUDIT FUNCTION

1. Independence of Internal Audit function

The Abbey Group, the wider Group to which AIHL and the PCC core belong, 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.

2. 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. However, the Internal Auditor reports directly to the Board on the outcome of the audits, their findings and recommendations.

3. Internal Audit responsibilities and scope

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

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

i. take a risk-based approach in deciding its priorities
ii. report the audit plan to the Board of Directors
iii. 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
iv. submit the internal audit report to the Board on at least an annual basis
v. verify compliance with the decisions taken by the Board based on those recommendations referred to in point iv.

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.

H. ACTUARIAL FUNCTION

1. 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, nor is he 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.

2. Responsibilities

The responsibilities of the Actuarial Function are to:

i. 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;

ii. Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
iii. Assess the sufficiency and quality of the data used in the calculation of technical provisions;
iv. Compare best estimates against experience;
v. Inform the Board of the reliability and adequacy of the calculation of technical provisions;
vi. Oversee the calculation of technical provisions as set out in Article 82 of Solvency II directive;
vii. Express an opinion on the overall underwriting policy;
viii. Express an opinion on the adequacy of reinsurance arrangements (if any); and
ix. Contribute to the effective implementation of the risk-management system referred to in Article 44 of Solvency II directive, particularly with respect to the risk modelling underlying the calculation of the capital requirements.
x. 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.

I. OUTSOURCING

1. Outsourcing in risk territories

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 following table, which states the position at 31st December 2018. Oversight of the outsourcing at Advent Board level is undertaken by Mr D Douglas and Ms A Finn.

Advent Insurance PCC Limited

Third Party Service Providers under contract at 31st December 2018

Note: Internal may indicate common ownership with the Cell shareholder or with the Core

Outsourced Provider	AIHL/Core/ Cells	Service Outsourced	Internal/ External	Jurisdiction	Outsourcing Oversight
Artex Risk Solutions (Malta) Ltd	AIHL/Core/All Cells	Management & Administration services including Accounting, MLRO, Admin and Co Sec. Compliance Actuarial	External	EU: Malta	Derek Douglas
Abbey International Finance Ltd	AIHL/Core/All Cells	Internal Audit	Internal (to Core)	EU: Ireland	Derek Douglas
Finance One Capital	Finance One	Distribution, Underwriting services and claims handling	Internal (to FO/Core)	EU: Ireland	Derek Douglas
Vantage Insurance Services Ltd	AIF	Distribution, Underwriting services and claims handling	External	EU: UK	Derek Douglas
TUI Travel Belgium	Absolut	Sales and Distribution	Internal (to Cell)	EU: Belgium	Anne Finn
PATS nv	Absolut	Claims Handling	Internal	EU: Belgium	Anne Finn
UIB Holdings UK Ltd	UIB	Distribution, Underwriting Services.	Internal	EU:UK	Derek Douglas
Compass Underwriting Ltd	UIB	Underwriting assistance and claims handling	External	EU:UK	Derek Douglas
Freedom Healthnet Ltd	Freedom Health	Distribution, Underwriting services and claims handling	Internal	EU:UK/ Germany	Derek Douglas
APS Prevoyance t/a Assurances	Core	Distribution, Underwriting services and claims handling	External (Core)	EU: France	Anne Finn
Unlimitedcare-Servicos de Saude e Assistencia, S.A.	Unlimitecare	Distribution and Underwriting services	Internal	EU: Portugal	Anne Finn
Unlimitedcare-Servicos de Saude e Assistencia, S.A	Unlimitedcare	Claims handling services	Internal	EU: Portugal	Anne Finn
Premia Solutions Limited	Autorama	Claims handling services & premium billing and collection services	External	EU: UK	Anne Finn
Autorama UK Ltd) t/as Vanarama Insurance Services	Autorama	Marketing, Underwriting and Distribution services	Internal	EU: UK	Anne Finn

2. Outsourcing in Malta

Due to its relatively small size the PCC, its Group Holding Company AIHL, and all of the PCC's cells, have determined that outsourcing of their day to day operations in Malta, including the accounting, compliance, company secretarial, anti-money laundering and actuarial functions, provides the best solution for their effective and efficient management. 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 AIHL. This company is based in Ireland.

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

J. RISK PROFILE

1. Underwriting Risk

I. PCC Solo Underwriting Risk Profile

Underwriting risk at 31st December 2018 comprised 44% the consolidated undiversified Base solvency capital requirement. Of this 14% was for health underwriting risk and 30% for non-life underwriting risk.

The PCC in its constituent parts is exposed to underwriting risk in the form of various general insurance products covering travel and missed flight insurance, personal accident & income protection insurance, private medical insurance, and bonds and other forms of financial guarantees. Taken as a whole the PCC is considered to have low underwriting concentration risk as 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.

A key control of PCC's over its underwriting risk is a thorough pre-acceptance assessment of Cell & Core portfolio proposals, and ongoing monitoring of the results and outcomes of these portfolios, once accepted. These assessments ensure the portfolios meet the PCC's acceptance criteria, the optimum profile being sustainable products that are: short tail, with low individual values in portfolios that have good risk spread, medium to high premium volume, and consistently profitable history. The portfolios must be introduced and managed by experienced professionals 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 Cell committee meetings and at 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. PCC Group Underwriting Risk Profile

At 31st December 2018 non-life nderwriting risk comprised 20% of the Group's undiversified base solvency capital requirement. The Group underwriting risk profile comprises the underwriting risks of the Core, and the Finance One cell. At that date the AIF cell was determined to have no residual underwriting risk.

III. 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 being met, based on experience; a typical large claim within the normal range is materially lower. The portfolio risk profile is assessed as non-volatile, because individual 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. The core also writes a small book of missed flight cover, in Spain, comprising very low value and very short tail policies.

Concentration and catastrophe risk: The rental 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. The missed flight cover portfolio is also very diverse across a wide range of policyholders with negligible concentration or catastrophe risk.

Pricing risk: The portfolios' underwriting pricing risk is assessed and managed by reference to their historic loss experience, and the experience of similar portfolios in France and Spain, and ongoing analysis of actual premium and claim data. As the policies are annual, or shorter tail, rating can be adjusted relatively quickly should loss experience deteriorate.

Reserving risk: For the rental portfolio 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. There is no reserving risk connected with the missed flight cover due to the stringent reporting conditions on the policy.

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

IV. Absolut Cell underwriting risk profile

Exposure: Absolut Cell provides holiday cancellation insurance to customers primarily based in Belgium. Its underwriting exposure consists of short tail, high volume, very low single value covers.

The portfolio is considered non-volatile as individual losses do not have the capacity to materially affect the Cell's' underwriting result or solvency position.

Concentration & catastrophe: The concentration risk for the Cell is also low because the insurances are spread over a wide range of unconnected customers in respect of unconnected events. The Cell's 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 Cell's underwriting pricing risk is assessed and managed by reference to the portfolio's historic loss experience and the experience of similar portfolios in Europe, 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 the 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, the Absolut Cell has not considered it necessary to purchase reinsurance protection to mitigate its underwriting risk. In the light of the Cell's underwriting risk profile the Cell accepts this reinsurance strategy risk.

V. AIF Cell underwriting risk profile

AIF Cell ceased writing business on 30th September 2017 and has no residual underwriting risk..

VI. 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 17 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. Catastrophe 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 17 years of historic loss experience and ongoing analysis of actual premium and claim data. Cover under the personal accident policies is sold on a monthly basis, 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 against a major event involving large numbers of people in a public place, excess of loss reinsurance has been purchased to limit the cell's retained exposure.

VII. 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.

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 the Cell has assessed a potential loss that may be higher in value than a single maximum loss under one policy. However, this is considered of very low probability.

Mitigation: 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 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. However, due to a very competitive trading environment, and high front end commissions for new business, the pricing risk is considered higher than anticipated at the establishment of the cell in 2016.

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 guide prices for surgical and non-surgical treatments, which are updated regularly.

VIII. Finance One Cell Underwriting risk profile

Exposures: This Cell provided various types of bonds, mainly construction, performance and custom bonds, for customers based primarily in Ireland. However, the cell ceased accepting new business on 31st December 2017 and is currently in run-off, with the last bonds expected to expire before the end of 2020. During December 2018 100% reinsurance of the net retention was placed with Advent Insurance DAC. Therefore, the net underwriting exposure is effectively nil. A loss portfolio transfer of the front end liabilities to Advent Insurance DAC, is expected to take place during the 2nd quarter of 2019.

Concentration and catastrophe risk: This risk is now mitigated by 100% reinsurance.

Mitigations: This risk is mitigated by 100% reinsurance.

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

Reserving Risk: This risk is mitigated by 100% reinsurance.

IX. 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 indicated that in some cells, some stresses, assuming an accumulation of negative results over two to three years, would bring SCR cover below 100%. The scenarios tested were considered severe and therefore of quite low probability. However, monitoring is in place to detect early warning signs of these scenarios.

2. Market risks

I. PCC Solo Market Risks

Market Risks comprised 43% of the PCC's Solo consolidated Base SCR at 31st December 2018, of which 38.5% is market concentration risk, 4% is spread risk, and under 1% is interest rate risk. The PCC's investment assets at 31st December 2018 were a mixture of bank and money market deposits, and group loans.

II. PCC Group Market Risks

Market risks comprised 52% of the PCC Group's consolidated Base SCR at 31st December 2018, of which 50% is market concentration risk, 2% is spread risk, with a negligible amount of interest rate risk. The PCC Group's investment assets at 31st December 2018 were a mixture of bank and money market deposits, and parental loans.

Both Group and Solo Market Risks are discussed below:

III. Market Concentration Risk

The PCC Solo is exposed, within two Cells, to market concentration risk, in the form of parental loans by these cells to their respective parent or group.

For the PCC Group the market concentration risk exists in the exposure by one cell to a group loan.

IV. Interest rate risk

The PCC Solo has negligible exposure to interest rate risk.

The Group has quite significant interest rate risk because of inter-group loans from AIHL to its parent company.

V. Currency risk

At the end of 2018 the PCC carried currency risk on its US$ financial instruments in the investment portfolio of its Core. 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.

VI. Equity risk

The PCC core is not exposed, currently, to equity risk, nor is it subject to significant amounts of other price risk.

3. Credit (Counter-party Default) Risk

I. Exposure by Holding Company, Cell and Core

At 31st December 2018 credit risk in the form of counterparty defaultrisk represented 13% of the PCC's undiversified Solo Basic SCR, and 25% of the PCC Group's Basic SCR. Credit risk is deemed to be the risk that the PCC, or any constituent part thereof, suffers loss if a counter-party defaults partially or fully, on amounts due to it.

The PCC has multiple counterparties which avoids credit concentration risk on a PCC wide basis although a degree of concentration risk exists within Cells. Of the 13% of Solo Base SCR, 9% was with banks, insurance companies or money market instruments, and 4% was in respect of insurance receivables from intermediaries. Of the 25% of Group Base SCR, 24% was with banks, insurance companies or money market instruments, and 1% was in respect of insurance receivables from intermediaries.

II. Management of Credit Risk

The Boards applies the *Prudent Person principle* to credit risks and counterparties are selected by taking into account their credit rating, and / or financial status, relative to the amount and proportion of risk. The investment function takes account of the credit risk inherent in AIHL and the PCC's investment and insurance portfolios by cautiously identifying investment opportunities, including ensuring reasonable risk spread, by regular monitoring of portfolio performance, and by regular reporting to, and discussion by, the Boards.

III. Assessment and risk mitigation used for credit risks

i. For investment transactions only counterparties with a high enough credit rating are used, except in some limited cases where counterparties are, for example, group companies.

ii. 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.

iii. For direct insurance transactions the business is unavoidably placed with the PCC through unrated intermediaries, which is recognised as a material credit risk and is mitigated by ensuring properly structured and controlled bank accounts held in trust.

Assessment and risk mitigation techniques embrace the following methods:

i. Robust contract terms and conditions with all counterparties

ii. Monitoring the credit ratings and status of counterparties;

iii. Reporting of cash, investment and liquidity positions on a quarterly basis as part of the PCC's and Cells' management accounts reporting process;

iv. Reporting of intermediary balances and requirement for remittance of these balances monthly

*Notwithstanding these controls the PCC's exposure to the counterparty credit risk materialised in the last quarter of 2018 when certain debtors balances due from one intermediary remained outstanding beyond their due date, causing an increase in capital charge for credit default. However, there have been no indications to date, either at year end or at the time of writing this report, that the agent has failed to pay claims on behalf of the Cell on time and in full.

IV. Risk sensitivity testing for credit risks

The sensitivity of the PCC and individual Cells to potential credit rating downgrades of their counterparties was assessed, based on the following hypothetical assumptions:

- one credit step down for the main bank or credit counterpartya parental credit downgrade in relation to one Cell
- failure by the insurance intermediary to pay a portion of the debt due in year 3

The credit risk of AIHL was not specifically stress tested.

In all cases, allowing for the case noted under iii above, it was demonstraed that each Cell and the Core would continue to comfortably meet its solvency capital requirements.

4. Liquidity Risk

The PCC's Solo and Group exposure to liquidity risk arises from the possibility that sufficient cash may not be readily available to pay obligations when due at a reasonable cost. This risk is not considered to be significant for either Group or Solo, given the liquidity of their financial assets and the short-term nature of 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, and AIHL, outsource their 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.

Outsourcing to Agents outside Malta: Within the PCC's outsourcing risk material risks 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. Outsourcing risk includes: reputation and fraud risk, cyber/data security, IT network resilience, business continuity planning, data storage, compliance, money laundering, data protection.

Malta based Systems and operational risks (outsourced locally to Artex), include: inadequate internal controls and accounting systems leading to greater fraud and money laundering risk; failure to produce timely and accurate financial reports, or to bring matters of concern to the board in good time; failure to submit accurate and timely regulatory returns; cyber risk; shortage of staff and resources.

Key personnel risk: This is centred largely around outsourced operations, reflected in poor recruitment practices, failure to develop, train, manage and retain personnel, leading to operational and service problems. However, it exists at the PCC's own board and executive level also.

Credit risk aligned with intermediaries/agents: This is also identified as a key operational and outsourcing risk, being the risk that agents will not pass on funds due to the company, within credit terms, or at all. This risk is discussed in more detail under 3 above – Credit Risk.

II. Risk mitigation techniques used for operational and outsourcing risks

The PCC and AIHL have 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 Boards remains conscious at all times of their own duty to manage and control outsourcing risk and to ultimately retain full responsibility for the functions that are outsourced.

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 including regular detailed reports.

Regular onsite visits of key outsourced function holders is also part of the risk control & mitigation strategy. It is aimed to carry out on-site audits of every key service provider at least biennially by either PCC directors, managers, internal auditors, or other representatives. Increased controls have been developed to mitigate credit risk, including greater access to agents' premium accounts, increase in the regular provision of detailed evidential information, regular reconciliations of banking transactions with bordereaux, and the maintenance of premium accounts under trust conditions.

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 risks are considered low 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.

The PCC is also conscious of its **Key Personnel risk** but this is mitigated by the engagement of experienced professional non-executive and executive directors, and the support of the Advent Group's international network.

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.

Future credit risk related to insurance intermediaries has been specifically tested and has not raised any significant cause for concern.

Outsourcing risk as it relates to AIHL is considered insignificant and has not been specifically stress tested.

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, 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 requirements in normal and stressed conditions. Otherwise the risk is considered covered within the base SCR.

Compliance and regulatory risk is not considered material for AIHL as it does not engage in regulated activities.

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 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 followed up 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.

*Notwithstanding this assessment, one cell fell below materially 100% solvency at 2018 year end. However, due to the material surplus of SCR cover in the core, the consolidated position of the PCC remained robust.

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 buffers carried by each Cell, and the Core, were 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. This risk has not been specifically stress tested.

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 purchase of Cell insurance products, are a risk for the PCC. Brexit is considered a risk relating to the modus operandi of UK focused Cells, and their ability to continue to write UK business in the longer run, but not in terms of underlying capital strength and solvency.

Brexit is also a risk for the PCC as a whole, because opportunities for future UK focused Cells are reduced. However, these lost opportunities may be offset by other opportunities arising out of Brexit or similar.

For existing UK focused cells, the full implications of writing UK business from Malta on a Freedom of Services basis will be considered as Brexit plans develop and more is known. For the time being the PCC has mitigated the Brexit risk by applying for the UK's Temporary Permissions Regime, which allows it to continue to write UK business on a Freedom of Service basis, for up to three years from the Brexit date.

K. REGULATORY BALANCE SHEET

1. Assets – PCC Solo & Group

The first table below is a summary of the assets of the Core and Cells combined as at 31 December 2018. The second table is a summary of the assets of the Group combined as at 31st December 2018.

PCC SOLO BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2018			
	Statutory accounts	Solvency II value	Commentary
	€	€	
Financial assets	2,455,166	2,466,067	See I below
Deferred tax asset	112,938	251,828	See II below
Reinsurers' share of technical provisions	5,054,130	3,790,311	See III below
Loans & Mortgages	13,066,376	13,106,606	See IV below
Other Receivables	3,681,514	3,630,383	See V below
Direct insurance operations receivables	5,611,662	5,611,662	See VI below
Deferred acquisition costs	1,894,569	0	See VII below
Other Assets not otherwise shown	413,582	413,582	See VIII below
Cash at bank	16,353,108	16,353,108	See IX below
Total Balance Sheet Assets	**48,643,047**	**45,623,549**	

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PCC GROUP BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2018	Statutory accounts €	Solvency II value €	Commentary
Financial assets	0	0	
Deferred tax asset	35,031	65,862	See II below
Reinsurers' share of technical provisions	2,140,032	1,912,532	See III below
Loans & Mortgages	2,591,376	2,631,606	See IV below
Other Receivables	1,105,713	1,065,483	See V below
Direct insurance operations receivables	155,288	155,288	See VI below
Deferred acquisition costs	78,581	0	See VII below
Other Assets not otherwise shown	117,107	117,107	See VIII below
Cash at bank	7,131,277	7,131,277	See IX below
Total Balance Sheet Assets	**13,354,404**	**13,079,154**	

The valuation principles applied to these assets are consistent with those used in the Statutory accounts (IFRS), with any differences in valuation set out below:

I. **Financial assets** are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets. Financial Assets comprise investments in Corporate Bonds and term deposits. 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.

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. The difference between the Deferred Tax Asset in the statutory accounts and that in the SII balance sheet is generated by the impact on reconciliation reserve of the SII adjustments.

III. **Reinsurance technical provisions** are considered to be current in nature. The statutory reinsurance technical provisions are based on reinsurers' share of outstanding loss reserves and incurred but not reported reserves plus reinsurers' share of unearned premium reserves. The Solvency II technical provisions for claims include loadings for binary events or events not in data (ENIDS). Premium technical provisions are based on an estimate of the ratio of expected losses against unearned premium plus loadings for binary events. Valuation difference of reinsurer's share of TP under SII is derived from the adjustments to the Gross TPs to SII from IFRS, further adjusted for own costs and risk margin retained for net account.

IV. **Loans and mortgages** are carried at amortised cost using the effective interest method, less any provision for impairment. The fair value of loans and receivables are deemed to be a Level 2 measurement. Loans are group loans to cell or core shareholders or other companies of the core or Cell's own group. There were no material differences in valuation between IFRS and SII bases, as their fair value approximates amortised cost due to their short term nature.

V. **Other receivables** represent other receivables from related parties.

VI. **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. **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 financial (statutory) 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

VII. **Deferred Acquisition Costs (DAC)** represent direct commissions incurred in securing new contracts and renewing existing contracts and are related to unearned premium reserves on the statutory balance sheet. They are amortised over the period in which the related premiums are earned, which is typically a period of between one to three years. Deferred acquisition costs are not recognised for Solvency II valuation of assets.

VIII. **Other Assets not otherwise shown** represent other sundry debtors, prepayments and accrued income

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

2. Technical Provisions

The Solvency II 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 attributable to bound insurance contracts and contracts close to being bound. The estimates are based on past experience with adjustments for expected deviations in the future.

The statutory accounts of the Company include provisions for all claims notified by the Insured (claims outstanding), except for medical insurance where provision is made for all claims where treatment has occurred. Provision is also made for claims incurred but not reported (IBNR) based on previous claims experience. Claims reserves comprise provisions for the estimated cost of settling claims incurred up to but not paid at the reporting date. Unearned premium reserves are also provided for in the statutory accounts to reflect the unexpired portion of written premium.

An overview of the technical provisions for the year ended 31 December 2018 is as follows, on both Solvency II and Statutory bases, for PCC Solo and Group:

PCC Solo Technical Provisions at 31st December 2018 (P17.01.02)

		Statutory/ IFRS Accounts Gross €	Recoverable from Reinsurers €	Statutory Accounts/ IFRS Net €	Solvency II value Gross €	Recoverable from Reinsurers €	Solvency II Value Net €
TECHNICAL PROVISIONS - NON-LIFE (EXCLUDING HEALTH)	**Total Best Estimate**	**4,964,387**	**2,140,032**	**2,824,355**	**4,008,431**	**1,912,532**	**2,095,899**
	Fire & Other Damage to Property	*23,790*	-	*23,790*	*19,495*	-	*19,495*
	Credit & Suretyship	*2,338,464*	*2,140,032*	*198,432*	*2,131,821*	*1,912,532*	*219,289*
	Miscellaneous Financial Loss	*2,602,132*	-	*2,602,132*	*1,594,288*	-	*1,594,288*
	Risk Margin	-	-	-	**262,827**	-	**262,827**
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	**8,061,075**	**2,914,098**	**5,146,977**	**6,420,585**	**1,877,779**	**4,542,806**
	Medical Expense	*5,897,391*	*2,914,098*	*2,983,293*	3,877,589	1,877,779	1,999,810
	Income Protection	*2,163,684*	*0*	*2,163,684*	2,301,734	-	2,301,734
	Risk Margin	*0*	*0*	-	**241,262**	0	**241,262**
TOTAL TECHNICAL PROVISIONS		**13,025,462**	**5,054,130**	**7,971,332**	**10,429,016**	**3,790,311**	**6,638,705**

PCC GROUP Technical Provisions at 31st December 2018 (P17.01.02)

		Statutory/ IFRS Accounts Gross €	Recoverable from Reinsurers €	Statutory Accounts/ IFRS Net €	Solvency II value Gross €	Recoverable from Reinsurers €	Solvency II Value Net €
TECHNICAL PROVISIONS - NON-LIFE (EXCLUDING HEALTH)	**Total Best Estimate**	**2,791,243**	**2,140,032**	**651,211**	**2,633,413**	**1,912,532**	**720,881**
	Fire & Other Damage to Property	*23,790*	-	*23,790*	*19,495*	-	*19,495*
	Credit & Suretyship	*2,338,464*	*2,140,032*	*198,432*	*2,131,821*	*1,912,532*	*219,289*
	Miscellaneous Financial Loss	*428,989*	-	*428,989*	*341,926*	-	*341,926*
	Risk Margin	-	-	-	**140,171**	-	**140,171**
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	-	-	-	-	-	-
	Medical Expense	*0*	-	-	-	-	-
	Income Protection	*0*	*0*	-	-	-	-
	Risk Margin	*0*	*0*	-	-	0	-
TOTAL TECHNICAL PROVISIONS		**2,791,243**	**2,140,032**	**651,211**	**2,633,413**	**1,912,532**	**720,881**

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The main difference between the best estimates in the Solvency II balance sheet, and the statutory technical provisions, arise from the calculation of premium reserves held for unexpired periods. Under the statutory accounts these are calculated on a timing basis whereby the full unexpired portion of written premium are held in reserve. However, under Solvency II, premium reserves are calculated by applying expected loss ratios to the full unexpired written premium. In addition, under Solvency II, various loadings are added such as management expenses, binary events, events not in data, and a risk margin. These items are discussed in the next section. This difference in valuaton applies across all lines of business.

Reinsurance recoverables shown are amounts due under various reinsurance arrangements placed mostly with A or better rated reinsurers. In addition to quota share arrangements in the commercial reinsurance market, Credit and Suretyship risk is also protected by a reinsurance arrangement with a non-rated insurer within the wider Advent group, whereby 100% of the net retention (following quota share reinsurance) for this line of business, is ceded.

Assumptions and methods

With reference to historical data, the main assumptions in the reserving exercise relate to the evaluation of the underlying insured risks and events, the estimation of expected average cost per claim, the likely future number of claims, and inflationary trends (where applicable). The inherent uncertainty in insurance claims makes it unlikely that historical data will be wholly predictive of the actual ultimate development of claims. The process of establishing realistic technical provisions requires a substantial measure of judgement. Actuarial methodology is used to develop triangulations to assist in calculating these provisions.

The risk margin is added to the best estimate liability. This 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:

i. 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.

ii. Estimation of the losses relating to claims which have been incurred but not yet reported ("IBNR"): this is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is unknown. In general the IBNR is estimated by projecting 'best estimate' ultimate loss ratios using a combination of past experience and judgement, with actuarial input as needed, and calculating the difference between that ultimate figure, and reported losses. The technical provisions are discounted using the risk free rate with no volatility adjustment produced by EIOPA.

iii. Incurred but not enough reported ("IBNER") – where the occurrence of a loss event has been reported but the extent of the loss has not been reported.

iv. 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.

v. Market environment – changes in the market environment increase the inherent uncertainty affecting the business, in particular, claims inflation.

vi. Events not in data ('ENID loading') – estimating a provision for events not in data, is subject to considerable uncertainty as the events being reserved for have not been observed in the observable historical loss data. It also includes a loading for Binary events, being loss-generating events with low frequency and high severity impact.

vii. 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.

viii. 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:

i. Ongoing monitoring of claim events
ii. Regular reviews of claims handling functions and reserving methodologies.
iii. Internal controls through the Board and actuarial function which monitor claims development.
iv. Bespoke Solvency II software
v. Regular external actuarial reviews.

There have been no changes in the assumptions made since the previous period under either basis. There was no application of matching adjustment, volatility adjustment, transitional risk free market interest rate and transitional deductions.

3. Other liabilities

The other liabilities of PCC (separate for both Solo and Group) at 31st December 2018, on both Solvency II and IFRS basis, are shown below:

PCC Solo Other Liabilities at 31st December 2018			
	Statutory Accounts Gross	Solvency II value Gross	Commentary
Deferred Tax Liabilities	-	118,237	See I below
Other Financial Liabilities other than debts owed to credit institutions	-	-	-
Other Technical Provisions	59,953	-	See III below
Reinsurance Payables	4,170,155	4,170,155	See IV below
Trade Payables (Not Reinsurance)	6,889,430	6,889,430	See V below
Other Liabilities	109,107	109,107	See VI below
Total	**11,228,645**	**11,286,929**	

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PCC GROUP Other Liabilities at 31st December 2018			
	Statutory Accounts Gross	Solvency II value Gross	Commentary
Deferred Tax Liabilities	-	-	-
Other Financial Liabilities other than debts owed to credit institutions	1,751,250	1,751,250	See II below
Other Technical Provisions	59,953	-	See III below
Reinsurance Payables	1,041,310	1,041,310	See IV below
Trade Payables (Not Reinsurance)	295,976	295,976	See V below
Other Liabilities	109,107	109,107	See VI below
Total	**3,257,596**	**3,197,643**	

I. *Deferred Tax Liabilities:* This item arises on the Solvency II balance sheet in respect of one cell for which the technical provisions were lower under Solvency II than under IFRS, due to the adjustment between the two bases described above. This increased the balance of the SII reconciliation account for the cell, thereby increasing profits, and creating an additional tax liability over and above tax liabilities on the IFRS balance sheet.

II. *Other Financial Liabilities other than debts owed to credit institutions:* This amount is in respect of the holding company's (AIHL) loans from group companies. Valuation is the same under both bases.

III. *Other Technical Provisions*: The amount shown on the IFRS balance sheet relates to commissions received for quota share reinsurance placements, but deferred, as they refer to unexpired periods of insurance. This item arises under IFRS as full because full unexpired premium is reserved, offset by related unexpired reinsurance outward premium, with deferred inward reinsurance commissions thereon being treated as a liability. However, under Solvency II premium reserves are calculated by estimating future losses for unexpired periods offset by reinsurers share of those loss reserves. Therefore, unexpired premium, both inward and outward, and related deferred outward and reinsurance commissions, are ignored under Solvency II.

IV. *Reinsurance payables:* These refer to premiums due to reinsurers. Valuation is the same under both bases.

V. *Trade payables:* These include overheads and administration fees but mostly consist of taxes payable on profits made up to 31st December 2018. Valuation is the same under both bases for PCC Solo.

VI. *Other liabilities* consist of client monies held as collateral against bonds issues, and deferred facility fee income in the core. Valuation is the same under both bases.

4. Any other disclosures

There are no further disclosures.

L. CAPITAL MANAGEMENT

1. 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.

2. 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, covered by eligible own funds in 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 of 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.

3. Own Funds – PCC Solo and PCC Group

I. 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 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.

II. Structure of Own Funds

The PCC & Group classify their Qwn 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. Only the PCC's tier 1 own funds may be used towards meeting the Minimum Capital Requirement.

PCC Solo Own Funds at 31 December 2018 are as follows.

PCC Solo Own Funds at 31st December 2018							
Solo Own Fund items	Tier	Solvency II Restricted Own Funds* €	%		Own Funds Item Statutory/IFRS	IFRS Own Funds €	%
Ordinary and Cellular Share Capital	1	11,543,618	71%		Share Capital	11,543,618	47%
Reconciliation Reserve	1	1,797,228	11%		Retained Earnings	11,002,768	45%
Other Own Funds	1	1,842,554	11%		Other Reserves	1,842,554	8%
Ancillary Own Funds	2	974,422	6%			0	0%
Amount equal to the value of net deferred tax assets	3	133,590	1%			0	0%
Total		**16,291,412**	**100%**		**Total**	**24,388,940**	**100%**

The Solvency II Own Funds and Total Equity under IFRS are reconciled as follows:

PCC Solo – Reconciliation of SII Own Funds and IFRS Equity at 31st December 2018	
	€
IFRS Own Funds	24,388,940
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	-1,894,569
Net reduction in Technical Provision liabilities - *see J2 above*	1,332,627
Other Technical Provision liabilities deducted - *see J3 above*	59,953
Reduction in net tax liabilities - *see J3 above*	20,652
Ancillary Own Funds - Issued but unpaid share capital	974,422
Solvency II unrestriced Own Funds	**24,882,025**
*Effect of restriction of Own Funds due to the adjustment in respect of ring fenced funds (RFF);	-8,590,613
Solvency II restricted Own Funds	**16,291,412**

* This provision requires that funds of each separately constituted Cell be capped at 100% of its own SCR. It is reflected in a reduction in the cell's reconciliation reserve. The consolidated difference of €8,590,613 is noted under 5.i below, (QRT 23.01.01 (Solo), line R0740).

By comparison PCC Solo Own Funds as at 31st December 2017 were as follows:

PCC Solo Own Funds at 31st December 2017						
Solo Own Fund items	Tier	Solvency II Restricted Own Funds* €	%	Own Funds Item Statutory/IFRS	IFRS Own Funds €	%
Ordinary and Cellular Share Capital	1	10,373,518	63%	Share Capital	10,373,518	52%
Reconciliation Reserve	1	4,655,145	28%	Retained Earnings	8,978,982	45%
Other Own Funds	1	563,552	3%	Other Reserves	720,921	4%
Ancillary Own Funds	2	688,147	4%		0	0%
Amount equal to the value of net deferred tax assets	3	259,079	2%		0	0%
Total		**16,549,441**	**100%**	**Total**	**20,073,421**	**100%**

The 2017 Solo Solvency II Own Funds and IFRS Total Equity under IFRS were reconciled as follows:

PCC Solo – Reconciliation of SII Own Funds and IFRS Equity at 31st December 2017	
	€
IFRS Own Funds	20,073,421
	-
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	(1,692,003)
Net reduction in Technical Provision liabilities - *see J2 above*	805,598
Other Technical Provision liabilities deducted - *see J3 above*	174,575
Reduction in net tax liabilities - *see J3 above*	249,145
Ancillary Own Funds - Issued but unpaid share capital	688,147
Solvency II unrestriced Own Funds	**20,298,883**
*Effect of restriction of Own Funds due to the adjustment in respect of ring fenced funds (RFF);	3,749,442
Solvency II restricted Own Funds	**16,549,441**

Group Own Funds at 31st December 2018 were as follows:

PCC GROUP Own Funds at 31st December 2018						
Solo Own Fund items	Tier	Solvency II Restricted Own Funds* €	%	Own Funds Item Statutory/IFRS	IFRS Own Funds €	%
Ordinary and Cellular Share Capital	1	4,842,344	96%	Ordinary and Cellular Share Capital	4,842,344	66%
Reconciliation Reserve	1	943,345	19%	Retained Earnings	1,563,221	21%
Other Own Funds	1	900,000	18%	Other Own Funds	900,000	12%
Ancillary Own Funds	2	370,000	7%			
Amount equal to the value of net deferred tax assets	3	65,862	1%			
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #		-2,058,428	-41%			
Total		**5,063,123**	**100%**	**Total**	**7,305,565**	

#This reduction in own funds relates to a solvency deficiency of a third party cell.

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The 2018 Group Solvency II Own Funds and Total Equity under IFRS were reconciled as follows:

PCC GROUP – Reconciliation of SII Own Funds and IFRS Equity at 31st December 2018	
	€
IFRS Own Funds	7,305,565
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	-78,581
Net reduction (increase) in Technical Provision liabilities - *see J2 above*	-69,668
Other Technical Provision liabilities deducted - *see J3 above*	59,953
Reduction in net tax liabilities - *see J3 above*	30,831
Ancillary Own Funds - Issued but unpaid share capital	370,000
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #	-2,058,428
Solvency II unrestriced Own Funds	**5,559,672**
*Effect of restriction of Own Funds due to the adjustment in respect of ring fenced funds (RFF);	-496,549
Solvency II Restricted Own Funds to cover Group Solvency Capital Requirement	**5,063,123**

These funds are fully available within the group to cover its SCR. There are no known restrictions to the fungibility and transferability of such own funds to cover the Group's SCR, except to the extent that cellular funds are restricted to meeting the liabilies of the cell in question, in accordance with Malta's Protected Cell legislation, and are not available to meet other group liabilities.

Comparative PCC Group Own Funds at 31st December 2017, were as follows:

PCC GROUP OWN FUNDS ST 31ST DECEMBER 2017						
Group Own Funds Item	Tier	Solvency II Restricted Own Funds* €	%		Own Funds Item Statutory/IFRS	Total IFRS Own Funds €
Ordinary and Cellular Share Capital	1	4,842,344	76%		Share Capital	4,842,344
Reconciliation Reserve	1	1,573,226	25%		Retained Earnings	2,433,702
Amount equal to the value of net deferred tax assets	3	80,760	1%		Other Reserves	495,426
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #		-496,369	-8%			0
Other Own Funds	1	370,000	6%			0
Total		**6,369,962**	**100%**		**Total**	**7,771,472**

#This reduction in own funds relates to a solvency deficiency of a third party cell.

At 31st December 2017, the Solvency II Own Funds and Total Equity under IFRS are reconciled as follows:

PCC GROUP – Reconciliation of SII Own Funds and IFRS Equity at 31st December 2017	
	€
IFRS Own Funds	7,771,472
Deferred Acquisition Costs (asset) disallowed under SII	-263,181
Net reduction in Technical Provision liabilities	56,647
Reduction in valuation of Group assets under SII	-716,829
Increase in deferred tax assets under SII	70,827
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #	-496,369
Ancillary Own Funds	370,000
Solvency II Unrestricted Own Funds	**6,792,567**
*Effect of restriction of Own Funds due to the adjustment in respect of ring fenced funds (RFF);	-422,605
Solvency II restricted Own Funds	**6,369,962**

III. Ancillary Own Funds

At 31st December 2018, the PCC had issued but unpaid ordinary share capital amounts of €370,000 (Core); €318,147 (Freedom Health Cell) and €286,275 (Autorama Cell).

The PCC Solo ancillary own Funds were therefore €974,222 at 31st December, 2018, whereas the PCC Group ancillary own funds were €370,000 at the same date.

4. MCR and SCR

I. Solvency Capital Requirement (SCR) – PCC Solo and PCC Group

The SCR of the PCC Solo at as 31st December 2018 was €13,382,099. Own funds available to cover the SCR were €24,882,025, restricted to €16,291,412, due to adjustment for restricted own fund items in respect of ring fenced funds (RFF), resulting in a ratio of eligible Own Funds to SCR of 121.74%.

The PCC Solo SCR is composed of the following risk modules:

PCC Solo – Solvency Capital requirement at 31st December 2018	**Gross solvency capital requirement after allocation of RFF adjustment €**	**Gross solvency capital requirement before allocation of RFF adjustment €**	**Commentary**
Market risk	9,607,618	11,271,534	See I below
Counterparty default risk	2,911,369	3,415,580	See II below
Life underwriting risk – n/a	0	0	
Health underwriting risk	3,055,084	3,584,185	See III below
Non-life underwriting risk	6,588,659	7,729,730	See III below
Diversification	-6,752,734	-7,922,220	
Intangible asset risk			
Basic Solvency Capital Requirement	**15,409,996**	**18,078,808**	
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation	2,668,813	0	
Operational risk	837,809	837,809	
Loss-absorbing capacity of technical provisions	0	0	
Loss-absorbing capacity of deferred taxes	-5,534,519	-5,534,519	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0	0	
Solvency Capital Requirement excluding capital add-on	13,382,099	13,382,099	See IV below
Solvency capital requirement	**13,382,099**	**13,382,099**	

The SCR of the PCC Group at as 31st December 2018 was €2,484,963. Available Own Funds eligible to cover the SCR were €5,559,672, restricted to €5,063,123 following adjustment for restricted own fund items in respect of ring fenced funds (RFF), resulting in a ratio of eligible Own Funds to SCR of 203.75% on a group consolidated basis.

The PCC Group SCR is composed of the following risk modules:

PCC Group – Solvency Capital requirement at 31st December 2018	**Gross solvency capital requirement after allocation of RFF adjustment €**	**Gross solvency capital requirement before allocation of RFF adjustment €**	**Commentary**
Market risk	1,857,722	2,025,796	See I Below
Counterparty default risk	898,245	979,512	See II below
Life underwriting risk	0		
Health underwriting risk	0		
Non-life underwriting risk	825,364	900,037	See III below
Diversification	-882,892	-962,770	
Intangible asset risk			
Basic Solvency Capital Requirement	2,698,439	2,942,576	
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation	244,137	0	
Operational risk	92,629	92,629	
Loss-absorbing capacity of technical provisions	0	0	
Loss-absorbing capacity of deferred taxes	-550,242	-550,242	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0	0	
Minimum Consolidated Group Capital Requirement	3,700,000	3,700,000	
Solvency Capital Requirement excluding capital add-on	2,484,963	2,484,963	**See IV below**
Solvency capital requirement	**2,484,963**	**2,484,963**	

I. Market Risk - the PCC & Group are exposed to market risks derived predominately from the assets held by them to meet their insurance liabilities. although exposures to shocks in interest rates and currency rates also consider the exposure from underwriting risks.

II. Counterparty Risk - the PCC & Group are exposed to counterparty risks in the form of cash deposits (type 1) and from receivables from reinsurers, intermediaries, policyholders and other debtors (type 2).

III. Health & Non-life Underwriting Risks - the PCC & Group are 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 they may be exposed.

IV. The final solvency capital requirements of the PCC & Group are the aggregations of their market, counterparty and non-life underwriting risks, less a credit for diversification, and then an additional charge to represent the operational risks faced by them.

The PCC or Group have 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.

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II. Minimum Capital Requirement (MCR) – PCC Solo

The MCR of the PCC Solo as at 31 December 2018 was €3,700,000. Eligible own funds to meet the MCR were €23,774,013, adjusted to €15,183,400 due to restriction of own fund items in respect of ring fenced funds (RFF). This resulted in a ratio of eligible own funds to MCR of 410.36%

The inputs used to calculate the MCR of the PCC Solo are as follows, with comparative figures shown for 2017:

MCR INPUTS - PCC SOLO	Net Best Estimate Technical Provisions (2018) €'000	Net Best Estimate Technical Provisions (2017) €'000	Net Written Premiums in the last 12 months (2018) €'000	Net Written Premiums in the last 12 months (2017) €'000
Medical expense	2,000	1,051	4,545	4,049
Income protection	2,302	1,978	5,452	5,268
Fire and other damage to property	19	20	45	36
Credit & suretyship	219	452	-981	569
Miscellaneous financial loss	1,594	1,769	12,244	11,890

	2018 €	2017 €
Linear MCR SCR	2,796	2,875
MCR cap	6,022	6,182
MCR floor	3,346	3,434
Combined MCR	3,346	3,434
Absolute floor of the MCR	3,700	3,700
Minimum Capital Requirement	**3,700**	**3,700**

The linear MCR and SCR have increased in line with business increases discussed elsewhere in this report.

III. Minimum Consolidated Group SCR – PCC Group

The MCR of the PCC Group as at 31 December 2018 was €3,700,000, unchanged from 2017. The PCC Group's (restricted) Own funds available to meet its MCR were €4,627,261, after ring fenced funds adjustment, giving a ratio of eligible own funds to MCR of 125.06%, compared with €6,289,202 and an own funds ratio of 169.98% at 31st December 2017.

IV. Any other disclosures

There are no other disclosures to be made.

5. Quantitative Reporting Templates

I. Own Funds – PCC Solo (S.23.01.01)

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	11,544	11,544			
Share premium account related to ordinary share capital	R0030	0				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	1,797	1,797			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	134				134
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	1,843	1,843			
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	15,317	15,183			134
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	974			974	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400	974			974	
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	16,291	15,183		974	134
Total available own funds to meet the MCR	R0510	15,183	15,183			
Total eligible own funds to meet the SCR	R0540	16,291	15,183		974	134
Total eligible own funds to meet the MCR	R0550	15,183	15,183			
SCR	R0580	13,382				
MCR	R0600	3,700				
Ratio of Eligible own funds to SCR	R0620	1.2174				
Ratio of Eligible own funds to MCR	R0640	4.1036				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	23,908	
Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	13,520	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	8,591	
Reconciliation reserve	R0760	1,797	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	0	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	
Total Expected profits included in future premiums (EPIFP)	R0790	0	

II. Balance Sheet – PCC Solo (S.02.01.02) at 31st December 2018

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	251
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**	2,466
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities – listed	**R0110**	
Equities – unlisted	**R0120**	
Bonds	**R0130**	2,404
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	2,404
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	62
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	13,107
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	13,107
Reinsurance recoverables from:	**R0270**	3,790
Non-life and health similar to non-life	**R0280**	3,790
Non-life excluding health	**R0290**	1,913
Health similar to non-life	**R0300**	1,878
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**	5,612
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	3,630
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	16,353
Any other assets, not elsewhere shown	**R0420**	414
Total assets	**R0500**	**45,624**
Liabilities		
Technical provisions – non-life	**R0510**	10,429
Technical provisions – non-life (excluding health)	**R0520**	4,008
TP calculated as a whole	**R0530**	

Best Estimate	R0540	3,746
Risk margin	R0550	263
Technical provisions - health (similar to non-life)	R0560	6,421
TP calculated as a whole	R0570	0
Best Estimate	R0580	6,179
Risk margin	R0590	241
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	118
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	4,170
Payables (trade, not insurance)	R0840	6,889
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	109
Total liabilities	R0900	21,716
Excess of assets over liabilities	R1000	23,908

III. Technical Provisions by Line of Business – PCC Solo (S.17.01.01)

		Medical expense Insurance	Income Protection Insurance	Fire & Other damage to Property Insurance	Credit & Suretyship Insurance	Miscellaneous Financial Loss	Total Non-Life Obligation
R0010	**Technical provisions calculated as a whole**						
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole						
	Technical provisions calculated as a sum of BE and RM						
	Best estimate						
	Premium provisions						
R0060	Gross - Total	2,112	0	1	136	500	2,750
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	995	0	0	116	0	1,111
R0150	Net Best Estimate of Premium Provisions	1,117	0	1	19	500	1,639
	Claims provisions						
R0160	Gross - Total	1,766	2,302	18	1,995	1,094	7,175
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	883	0	0	1,796	0	2,680
R0250	Net Best Estimate of Claims Provisions	882	2,302	18	199	1,094	4,496
R0260	Total Best estimate – gross	3,878	2,302	19	2,132	1,594	9,925
R0270	Total Best estimate – net	2,000	2,302	19	219	1,594	6,135
R0280	Risk margin	51	190	6	26	230	504
	Amount of the transitional on Technical Provisions						

R0290	TP as a whole						-
R0300	Best estimate						-
R0310	Risk margin						-
	Techncial Provisions Total	3,929	2,492	25	2,158	1,825	10,429
R0320	Technical provisions – total						
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	1,878	0	0	1,913	0	3,790
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	2,051	2,492	25	246	1,825	6,639

IV. Overall SCR Calculation – PCC Solo

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	11,272	-	
Counterparty default risk	R0020	3,416	-	
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	3,584		
Non-life underwriting risk	R0050	7,730		
Diversification	R0060	-7,922	-	-
Intangible asset risk	R0070	0	-	-
Basic Solvency Capital Requirement	R0100	18,079	-	-

Calculation of Solvency Capital Requirement

Operational risk	R0130	838
Loss-absorbing capacity of technical provisions	R0140	0

Loss-absorbing capacity of deferred taxes	**R0150**	-5,535
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	13,382
Solvency capital requirement excluding capital add-on	**R0200**	13,382
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	13,382
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**	809
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	12,573
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

V. MCR Calculation – PCC Solo (S.28.01.01)

		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	2,000	4,545
Income protection insurance and proportional reinsurance	R0030	2,302	5,452
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	19	45
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	219	-981
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,594	12,244
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	0

Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	**R0300**	2,796
SCR	**R0310**	13,382
MCR cap	**R0320**	6,022
MCR floor	**R0330**	3,346
Combined MCR	**R0340**	3.346
Absolute floor of the MCR	**R0350**	3,700
-	-	
Minimum Capital Requirement	**R0400**	3,700
-	-	

VI. Own Funds – PCC Group (S.23.01.22)

		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						
Ordinary share capital (gross of own shares)	R0010	4,842	4,842			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	943	943			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	66				66
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180	900	900			
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
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						

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Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	**R0230**	2,058	2,058			
whereof deducted according to art 228 of the Directive 2009/138/EC	**R0240**					
Deductions for participations where there is non-availability of information (Article 229)	**R0250**					
Deduction for participations included by using D&A when a combination of methods is used	**R0260**					
Total of non-available own fund items	**R0270**					
Total deductions	**R0280**	2,058	2,058			
Total basic own funds after deductions	**R0290**	4,693	4,627			66
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	370			370	
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**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Non available ancillary own funds at group level	**R0380**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**	370			370	
Own funds of other financial sectors						
Reconciliation reserve	**R0410**					
Institutions for occupational retirement provision	**R0420**					
Non regulated entities carrying out financial activities	**R0430**					
Total own funds of other financial sectors	**R0440**					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	**R0450**					
Own funds aggregated when using the D&A and a combination of method net of IGT	**R0460**					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	5,063	4,627		370	66

Total available own funds to meet the minimum consolidated group SCR	**R0530**	4,627	4,627		0	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	5,063	4,627		370	66
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	4,627	4,627		0	
Minimum consolidated Group SCR	**R0610**	3,700				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	1.2505				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	5,063	4,627	0	370	66
Group SCR	**R0680**	2,485				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	2.0375				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	**R0700**	7,248				
Own shares (included as assets on the balance sheet)	**R0710**	0				
Forseeable dividends, distributions and charges	**R0720**	0				
Other basic own fund items	**R0730**	5,808				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	497				
Other non available own funds	**R0750**	0				
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	943				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0				
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0				
Total EPIFP	**R0790**	0	-			

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VII. Balance Sheet – PCC Group (S.02.01.02)

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	66
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	
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
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	2,632
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	2,632
Reinsurance recoverables from:	R0270	1,913
Non-life and health similar to non-life	R0280	1,913
Non-life excluding health	R0290	1,913
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0

Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	155
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	1,065
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	7,131
Any other assets, not elsewhere shown	R0420	117
Total assets	R0500	13,079
Liabilities		
Technical provisions – non-life	R0510	2,633
Technical provisions – non-life (excluding health)	R0520	2,633
TP calculated as a whole	R0530	0
Best Estimate	R0540	2,493
Risk margin	R0550	140
Technical provisions - health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
TP calculated as a whole	R0700	0
Best Estimate	R0710	0

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*Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	0
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	1,751
Insurance & intermediaries payables	**R0820**	0
Reinsurance payables	**R0830**	1,041
Payables (trade, not insurance)	**R0840**	296
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	109
Total liabilities	**R0900**	5,831
Excess of assets over liabilities	**R1000**	7,248

VIII. Overall SCR Calculation – PCC Group

S.25.01.22
Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	2,026		
Counterparty default risk	R0020	980		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	900		
Diversification	R0060	-963		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	2,943		

Calculation of Solvency Capital Requirement		
Operational risk	R0130	93
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-550
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	2,485
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	2,485
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,144
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	1,341
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	3,700
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	0

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Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	**R0520**	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non--regulated entities carrying out financial activities	**R0530**	0
Capital requirement for non-controlled participation requirements	**R0540**	0
Capital requirement for residual undertakings	**R0550**	0
Overall SCR		
SCR for undertakings included via D and A	**R0560**	0
Solvency capital requirement	**R0570**	2,485