ADVENT INSURANCE PCC LIMITED

GROUP AND SOLO SOLVENCY AND FINANCIAL CONDITION REPORT

YEAR ENDED 31ST DECEMBER 2019

Table of Contents

A. INTRODUCTION

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 seven 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

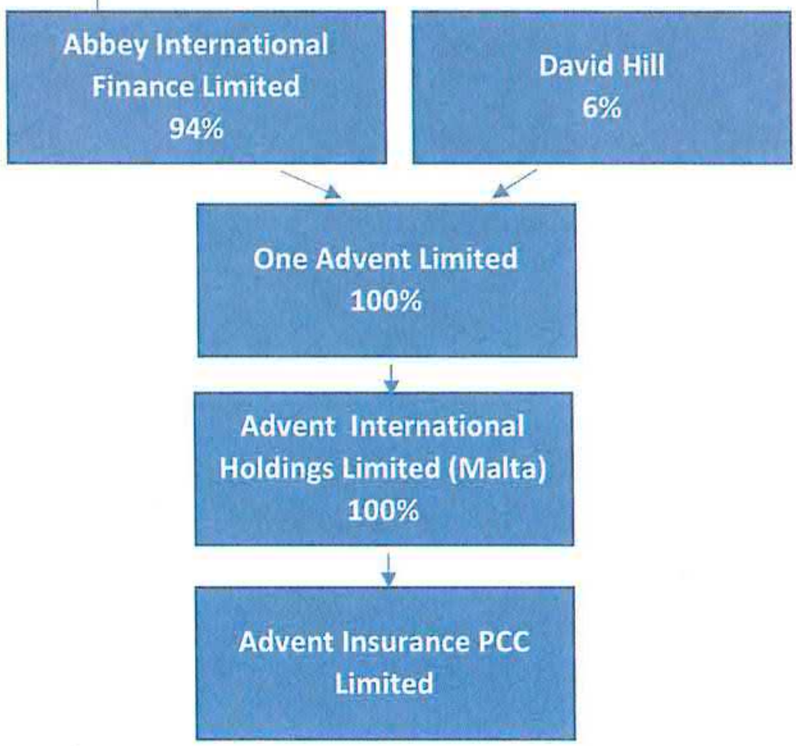
B. BUSINESS AND EXTERNAL ENVIRONMENT

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 2019 the PCC's core continued to write the French loss of rent cover. However, it ceased to write Spanish missed flight cover on 31st March 2019).

5. Activities of the Cells

At 31st December 2019 the PCC had four operational cells, open for business:

- 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)
- UIB Cell: This sells, under general insurance Classes 1 (Accident) and 2 (Sickness), income protection insurance to customers based in the UK.
- 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 commenced operations during 2018. The cell writes motor guaranteed auto protection, return to invoice finance 'gap' cover, and property damage for business equipment. Its market is the UK.

Cells in run-off and pending closure:

- 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
- AIF Cell: All of this cell's underwriting liabilities were considered fully expired at 31st December 2017. The cell will close during 2020
- 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. On 31st December 2019 it finalised a portfolio transfer of its insurance liabilities to Advent Insurance dac in Ireland. The cell will close during 2020.

6. Related Party Transactions

During 2019 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 fees charged by the legal firm are separate from the emoluments paid to the Director concerned.

7. 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 consistent with the PCC's published Annual Report. The PCC's functional currency is Euro, although two cells operate in GBP.

PCC SOLO DATA – TECHNICAL RESULT - YEAR ENDED 31ST DECEMBER 2019 (EURO)

	CREDIT & SURETYSHIP	PROPERTY		MISCELLANEOUS FINANCIAL LOSS				MEDICAL EXPENSES		INCOME PROTECTION	TOTALS
GEOGRAPHICAL AREA	IRELAND	FRANCE	UK	FRANCE	UK	SPAIN	BELGIUM	UK	PORTUGAL	UK	
Premiums Earned	233,679	51,088	33,718	970,672	504,642	48,443	10,349,893	5,270,768	161,576	6,635,082	24,259,561
Reinsurance Outwards	-242,621	0		0		0	0	-890,349	0	-18,798	-1,151,768
Gross Claims Incurred	-81,788	-28,737	-15,174	-546,003	-136,253	-25,899	-2,941,161	-3,490,063	-1,139	-954,102	-8,220,319
Net Operating Expenses	-225,771	-12,772	-1,985	-242,668	-290,777	-7,819	-588,099	-1,942,862	-125,519	-3,717,745	-7,156,017
Other Technical Income	58,803	0		0		0	0	1,068,820	0		1,127,623
Technical UW Result	**-257,698**	**9,579**	**16,560**	**182,001**	**77,612**	**14,725**	**6,820,633**	**16,314**	**34,918**	**1,944,437**	**8,859,081**

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	UK	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	0	-	-1,916,201	0	-16,955	-1,890,736
Gross Claims Incurred	-1,259,018	-23,799	0	-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	0	-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		0		1,739,000		-	1,868,665
Technical UW Result	**-582,128**	**7,519**	**0**	**142,865**	**9,572**	**8,126**	**7,150,969**	**-1,375,686**	**13,453**	**684,291**	**6,058,981**

Overall, earned premium decreased by 8% from 2018, brought about by reductions in UK medical expenses business and the Irish credit and suretyship business. The Belgian travel business also saw a very slight reduction over 2018. These reductions were offset to some extent by increases in other lines. The consolidated technical underwriting result inproved by 52% over 2018 largely contributed to by a material increase in the UK income protection business and improved technical results in other lines, although the Belgian travel business had a small profit reduction in 2019

8. Performance from underwriting activities – PCC Group Data

PCC GROUP DATA – PERFORMANCE FROM UNDERWRITING ACTIVITIES
YEAR ENDED 31ST DECEMBER 2019 (WITH COMPARATIVE DATA FOR 2018)

	CREDIT & SURETYSHIP 2019	CREDIT & SURETYSHIP 2018	PROPERTY 2019	PROPERTY 2018	MISCELLANEOUS FINANCIAL LOSS 2019		MISCELLANEOUS FINANCIAL LOSS 2018		TOTALS 2019	TOTALS 2018
GEOGRAPHICAL AREA	IRELAND	IRELAND	FRANCE	FRANCE	FRANCE	SPAIN	FRANCE	SPAIN		
Premiums Earned	233,679	706,015	51,088	41,758	970,672	48,443	793,405	89,207	1,303,882	1,630,385
Reinsurance Outwards	-242,621	42,420	0	0	0	0	0	0	-242,621	42,420
Gross Claims Incurred	-81,788	-1,259,018	-28,737	-23,799	-546,003	-25,899	-452,191	-28,413	-682,427	-1,763,421
Net Operating Expenses	-225,771	-201,210	-12,772	-10,440	-242,668	-7,819	-198,349	-52,668	-489,030	-462,667
Other Technical Income	58,803	129,665	0	0	0	0	0	0	58,803	129,665
Technical UW Result	**-257,698**	**-582,128**	**9,579**	**7,519**	**182,001**	**14,725**	**142,865**	**8,126**	**-51,393**	**-423,618**

The Group's earned premiums fell by 20% over 2018, mainly brought about by reductions in the Irish surety business and Spanish missed flight business. These reductions were offset by an increase in the earned premium of the French loss of rent business. The consolidated Group technical underwriting result improved with increases across the Board over 2018.

9. Performance from investment activities

I. PCC Solo Finance and Investment gains

The finance income and investment gains earned by the PCC during 2019, compared with 2018, are summarised in the following tables.

PCC SOLO – INVESTMENT INCOME FOR YEAR ENDED 31.12.2019			
Income	**Core**	**All Cells**	**TOTALS**
Income on Cash at Bank	260	15,107	15,367
Investment Income including Group Loans	47,177	289,474	336,651
Net gains on Investments	56,746	-5,892	50,854
Realised FX gains and losses	0	-21,680	-21,680
Total	**104,183**	**277,009**	**381,192**

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	187,254	53,983	241,237
Realised FX gains and losses	0	-8,180	-8,180
Total	**228,300**	**332,021**	**560,321**

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 31.12.2019				
Income	**AHL**	**Core**	**Group Cells**	**TOTALS**
Income on Cash at Bank	3	260	485	748
Investment Income including Group Loans		47,177	80,385	127,562
Net gains on Investments		56,746	0	56,746
Realised FX gains and losses		0	-22,483	-22,483
Total	3	**104,183**	**58,387**	**162,573**

PCC GROUP – INVESTMENT INCOME FOR YEAR ENDED 31.12.2018				
Income	**AHL**	**Core**	**Group Cells**	**TOTALS**
Income on Cash at Bank	137	119	373	629
Investment Income including Group Loans		40,927	74,595	115,522
Net gains on Investments	92,951	187,254	0	280,205
Realised FX gains and losses		0	55,781	55,781
Total	**93,088**	**228,300**	**130,749**	**452,137**

10.Other Income

The core earned facility fees of €254,606 in 2019, compared with €216,435 in 2018.

11.Operating and Other Expenses.

I. PCC Solo Operating and Other Expenses

PCC SOLO OPERATING AND OTHER EXPENSES						
	Core 2019	**Core 2018**	**Cells 2019**	**Cells 2018**	**Total 2019**	**Total 2018**
Acquisition costs	281,337	256,829	5,827,710	6,546,173	6,109,047	6,803,002
Novation loss	-	-	361,777	-	361,777	-
Profit Commission	-	-	153,369	142,281	153,369	142,281
Claims Handling fee	2,390	4,630	595,156	507,900	597,546	512,530
Administration Expenses	498,743	273,437	887,095	928,933	1,385,838	1,202,370
Totals	**782,470**	**534,896**	**7,825,107**	**8,125,287**	**8,607,577**	**8,660,183**

The acquisition costs and claims handling fees expensed during 2019 represent commissions paid to agents for introducing the business and for the provision of services including claims handling. These costs are included in the technical underwriting results. The technical underwriting results also include a novation loss which arose from the portfolio transfer from the Finance One Cell to Ireland in 2019. Administration expenses are non-underwriting overheads included in the non-technical profit and loss account.

II. PCC Group Operating / other expenses

PCC GROUP OPERATING AND OTHER EXPENSES								
	AIHL		Core		Group Cells		Totals	
	2019	2018	2019	2018	2019	2018	2019	2018
Acquisition costs	-	-	281,337	256,829	62,886	399,881	344,223	656,710
Novation Loss					361,777		361,777	-
Claims Handling fee	-	-	2,390	4,630	-	-	2,390	4,630
Administration Expenses	21,188	17,621	498,743	273,437	81,962	136,878	601,893	427,936
Totals	**21,188**	**17,621**	**782,470**	**534,896**	**506,625**	**536,759**	**1,310,283**	**1,089,276**

The changes in acquisition costs and commissions received in 2019, over 2018, are generally in line with movements in earned premium. The novation loss arising from the portfolio transfer from Finance One Cell to Ireland was also incurred at group level.

12.Covid-10 Impact Statement

In the first quarter of 2020 a new pandemic, Covid-19, has caused widespread curtailment of economic, social and cultural activities, with local and international travel restrictions put in place by governments globally. Although the economic fall-out resulting from these restrictions is expected to affect the Company's business during 2020, the Directors believe the Company can absorb the impact, and that its status as a going concern will not be affected. While some parts are exposed to higher loss ratios, in other areas there may be a reduction in losses due to restrictions in travel. Some cells are expected to see a contraction in premium income due to the economic downturn. However, based on current information, it is expected that this economic impact will be mitigated by governmental stimulus measures, and that there will be a return to normal activity, and growth, by early 2021.

C. SYSTEM OF GOVERNANCE

1. General Governance System

I. The Board of Directors of the AIHL

At 31st December, 2019 the Board of Directors of the group holding company, AIHL, consisted of John Prosser, Derek Douglas, Christian Farrugia, James Dunbar-Cousin and David Hill. All of these individuals were 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 2019 the Board had five directors, three of whom were resident in Malta. The Board members were: John Prosser

(Ireland), Derek Douglas (UK), 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. John Prosser and Derek Douglas retired from the Board respectively on 31st March 2020 and 1st April 2020.

III. Underwriting Committee

The Board is supported by an Underwriting Committee, which is a sub-committee of the Board. At 31st December 2019 the Underwriting Committee members were: John Prosser, David Hill, Derek Douglas and Anne Finn – ratify with board. 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. 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.

VII. 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's 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.

VIII. Adequacy of the System of Governance

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

IX 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 the 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. The Manager's ongoing responsibility includes 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 tolerance matrix to ensure that all significant risks are adequately measured, monitored and controlled. The risk tolerance matrices of each individual cell are discussed at least annually by the cell committees; issues are reported upwards to the Board.
ii. At least bi-annually the Board reviews the individual risk policies for appropriateness.
iii. At least quarterly, reporting of cash, investments and liquidity positions, aged debtors' status, including those of the individual cells, takes place.
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 PCC 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 role in the ORSA, providing guidance on how it is to be carried out. The Board questions and challenges the assumptions, inputs and results to ensure the integrity of the ORSA, and that it fully understands the risks the PCC 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, the PCC's actuarial, finance, risk management investment and Compliance Functions, and the local management team. Therefore, the ORSA is granular enough to ensure that the information communicated to the Board, and cells, is sufficiently detailed to be used for strategic decision-making, and to facilitate effective 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. During the ORSA process the Board evaluates the strength and quality of these systems.

3. ORSA Frequency

The ORSA is carried out 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.

4. 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 various stressed scenarios. This allows it to assess its solvency sensitivity to unlikely but plausible events, and to make appropriate capital management plans. 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 to 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 Board retains responsibility for ensuring that appropriate internal controls are in place, through professional managers and services providers, 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. The Board 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 contracts with the PCC core, individual cells and AHL. Artex are the initial recipients of the cells' and core business data, in the form of detailed monthly and quarterly reports from service providers. Artex scrutinise this underlying data for accuracy and completeness, and use it to produce reliable and timely financial and management information for 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 signatories,* all bank tranactions and contracts; password 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 Committee. The committee, operating under written Terms of Reference approved by the 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 committee has at least two Board representatives, one Manager representative, and two cell shareholder representatives. 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 receives regular reports, at least quarterly, 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. 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 Board.

5. External oversight

External oversight of internal controls is provided by the Internal Audit Function, described below. The Actuarial Function, described below, provides external oversight of certain key aspects of the PCC's business, in particular its technical provision and solvency calculations.

6. Adequacy of Internal Control System

A clear division of duties exists between local directors, local operational staff, risk territory personnel, and the Compliance, External Audit and Actuarial Functions. The effective functioning of the overall system is facilitated by regular structured meetings, and information flows and reporting, between the different divisions, all of which are ultimately answerable to the Board. Given the nature, scale and complexity of the PCC's business the Board considers this internal control framework to be adequate and suitable for purpose.

G. INTERNAL AUDIT FUNCTION

1. Independence of Internal Audit Function

The appointed Internal Auditor for the PCC has been a senior executive of the PCC's parent group, 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.

However, during 2020 the PCC will appoint an external firm to provide internal audit services, due to corporate changes within the Abbey Group.

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

It is the responsibility of the Internal Audit Function to:

i. establish, implement and maintain an audit plan over at least a three year planning period, taking into account all activities and the complete system of governance of the PCC, using a risk-based approach to decide audit priorities
ii. issue an internal audit report to the Board, at least annually, on findings and recommendations including the period of time to remedy shortcomings, the persons responsible for doing so, and status of audit recommendations
iii. verify compliance with Board decisions taken based on audit recommendations.

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 independent of both the PCC and the Managers, and is not involved with the PCC's day to day operations, thus ensuring the function is objective and free from the influence of other functions or from the PCC's Board and management.

2. Responsibilities

The Actuarial Function is responsible for:

i. Co-ordinating 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. Ensuring the appropriateness of methodologies and internal models used, and assumptions made, in the technical provision calculations;
iii. Assessing the sufficiency and quality of the data used the technical provision calculations;
iv. Comparing best estimates against experience;
v. Informing the Board of the reliability and adequacy of the technical provision calculations;
vi. Overseeing the calculation of technical provisions as set out in Article 82 of Solvency II directive;
vii. Expressing an opinion on the overall underwriting policy;
viii. Expressing an opinion on the adequacy of reinsurance arrangements (if any); and
ix. Contributing 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. Reporting to the Board at least annually documenting all material tasks undertaken and their results, clearly identifying deficiencies, and giving recommendations on how to remedy such deficiencies.

I. OUTSOURCING

The business strategy of the PCC is to insure portfolios of risks on a Freedom of Services basis within 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 it business. To this end the PCC outsources underwriting, distribution and claims handling services in Belgium, France, Portugal, Germany and the UK, as set out in the following table, which states the position at 31st December 2019. The Board oversees oursourced servicdes through its executive directors.

Advent Insurance PCC Limited Third Party Service Providers under contract at 31st December 2019					
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
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

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

1. 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 accounting, compliance handling, company secretarial, anti-money laundering and actuarial handling, 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 2019 comprised 39.7% of the consolidated undiversified Base solvency capital requirement. Of this 11.4% was for health underwriting risk and 28.3% for non-life underwriting risk.

The PCC in its constituent parts is exposed to underwriting risk through various general insurance products including travel cancellation insurance, personal accident & income protection insurance, private medical insurance, miscellaneous financial loss insurance in the form of loss of rent covers, GAP return to invoice covers, and a small amount of property cover related to the miscellaneous financial loss insurances. 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.

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 2019 non-life underwriting risk comprised 22% of the group's undiversified base solvency capital requirement. The group underwriting risk profile comprises the underwriting risks of the core only as no residual underwriting risk remained in the group cells, Finance One cell and AIF Cell, at the year end.

III. Core Underwriting Risk Profile

Exposure: The PCC core sells rent default insurance to landlords of mostly residential property 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 in full, 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 would not have the capacity to materially affect the underwriting result, or the Core's solvency status. The risk exposure is mitigated by robust due diligence procedures on tenants, including credit checks, and a very active approach to loss recovery from defaulting tenants.

Concentration and catastrophe risk: The risk 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. However, the portfolio has an exposure to economic downturns, albeit mitigated by governmental social security support.

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

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

Mitigation: The predictability of the portfolio's underwriting result is increased by the availability of detailed historic data and its low volatility. For this reason reinsurance cover has not been considered necessary.

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 cell's concentration risk is also low because the insurances are spread over a wide range of unconnected customers, in respect of unconnected events. Its exposure to catastrophe risk, the risk of multiple claims arising from one event, is mitigated by explicit terrorism and war exclusions, and is considered low. The cell has some exposure to pandemics such as Covid-19, although policy restrictions and exclusions mitigate this exposure.

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 cell's risks. Claims are 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 underwriting 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 UK based customers. Single maximum contractual limits are relatively high. However, the probability of a maximum claim occurring is considered low, based on 18 years' claim data; a typical large claim within the normal range is materially lower. The risk profile is 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 spread across the UK; ii) Terrorism exclusions; iii) Pandemic exclusions in most parts of the portfolio.

Pricing Risk: The cell's underwriting pricing risk is assessed and managed by reference to its 18 years of historic loss experience and ongoing analysis of actual premium and claim data. The personal accident contracts are monthly, and the income protection policies are annual. Therefore, rating and underwriting criteria can be adjusted quickly should loss experience deteriorate.

Reserving Risk: Short-tail claim reporting and payment horizons help in assessing and controlling 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 ceased underwriting in February 2019 and is in run-off. The cell's contractual annual limit for one claim was moderately high. However, only a small number of claims a year reached this level and the average claim value was materially lower. In addition to annual limits, single claims were 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 had a low concentration risk because its market had a wide geographic spread across UK and Germany.;

Mitigation: The cell purchased 50% quota share reinsurance, to mitigate underwriting risk and to increase result predictability.

Pricing risk: The cell's underwriting pricing risk was assessed and managed by reference to several years historic loss experience and ongoing analysis of actual premium and claims data

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.

VIII. Finance One Cell Underwriting risk profile

Finance One cell provided various types of bonds for customers based primarily in Ireland. The cell effected a loss portfolio transfer on 31st December 2019 and has not residual underwriting risk.

IX. Underwriting Risk Sensitivities for Cells and Core

The PCC tested the sensitivity of the cells' and the core's pricing, reserving, concentration and reinsurance strategy risks to stressed events in its recent ORSA. Underwriting stress tests included general loss ratio increases and a Covid-19 specifc scenario individualised for the core and each cell. The results indicated that the core, currently operational individual cells, and the consolidated PCC, have or will have sufficient capital to meet their Solvency II requirements under base business projections over the next three years. Stress test results were similarly positive, indicating that in all scenarios the SCR cover of the core, operational cells, and consolidated PCC would remain comfortable.

2. Market risks

I. PCC Solo Market Risks

Market Risks comprised 52% of the PCC's Solo consolidated Base SCR at 31st December 2019, of which 79% is market concentration risk, 5% is spread risk, 1% is interest rate risk and 16% is currency risk. The PCC's assets at 31st December 2019 were a mixture of bank and money market deposits, investment grade bonds, equities (less than 0.20% of the whole), and group loans.

II. PCC Group Market Risks

Market risks comprised 64% of the PCC Group's consolidated Base SCR at 31st December 2019. The PCC Group's investment assets at 31st December 2019 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, in one cell, to market concentration risk, through a loan to the cell's parent group. However, this loan was repaid in quarter one 2020.

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 negligible exposure to interest rate risk.

V. Currency risk

At the end of 2019 both the PCC Solo and Group carried currency risk on the US$ financial instruments in the investment portfolio of the PCC core. The PCC and Group manage currency risk by regular monitoring of the relevant exchange rates, by matching the currency of assets to the denomination of liabilities and by reacting to material movements thereto.

VI. Price risk

The PCC solo is exposed to limited price risk in respect of its investment portfolio, classified as at fair value through profit or loss. The fair value items are corporate bonds and equities, together amounting to less than 1% of the PCC's total assets.

3. Credit (Counter-party Default) Risk

I. Exposure by Holding Company, Cells and Core

At 31st December 2019 credit risk in the form of counterparty default risk represented 8% of the PCC's undiversified Solo Basic SCR, and 14% of the PCC Group's Basic SCR.

The PCC has multiple counterparties which avoids credit concentration risk on a consolidated basis; however a degree of concentration risk exists within cells. 86% of the Solo credit default SCR was in respect of type 1 exposures: banks, reinsurers or money market instruments. 14% was in respect of type 2 exposures: insurance receivables from intermediaries. 89% of the Group's credit default SCR was in respect of type 1 exposures: banks or money market instruments, and 11% was in respect of type 2 exposures: insurance receivables from intermediaries.

II. Management of Credit Risk

The Boards apply the *Prudent Person principle* to credit risks. The Investment Function manages credit risk by selecting counterparties based on their financial strength and ensuring reasonable risk spread. Investment portfolio performance is regularly monitored, and discussed at every committee and Board meeting.

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. 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. At least quarterly reporting of cash, investment and liquidity positions;
iv. At least quarterly reporting of intermediary balances.

IV. Risk sensitivity testing for credit risks

In its recent ORSA the PCC assessed the sensitivity of the PCC and individual cells to credit risk, assuming scenarios of: i) one credit downgrade across the three years, for each counterparty; ii) intermediary failure to pay a portion of debt due, in year 3.

In all but one case the core and operational cells would continue to comfortably meet their solvency capital requirements. For one cell, the scenarios could cause shortfalls at some stages. However, the cell's highest potential shortfall represents .63% of total capital and 2.74% of core capital; further the probability of the scenario is considered low for the cell. In any event the PCC's consolidated solvency cover remains comfortable across the planning period in all stressed scenarios.

AHL's credit risk was not specifically stress tested.

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 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 both the core and individual cells rely on it heavily.

Outsourcing to Agents outside Malta: Key functions such as underwriting, distribution and claim handling services are extensively outsourced to various third parties in France, Belgium, UK and Portugal. Material outsourcing risks include execution, delivery and process management, in particular: poor controls around underwriting and claim handling processes, poor service standards, deliberate mis-selling, acting outside authority levels. Outsourcing risk also includes: credit risk (for premium balances), reputation and fraud risk, cyber/data security risk, IT network resilience risk, business continuity planning risk, data storage risk, compliance risk, money laundering risk, data protection risk.

Outsourcing of Malta operations. Both the PCC and AIHL outsource their day to day management in Malta to Artex Risk Solutions Limited, part of the A J Gallagher group. Risks include*:* inadequate internal controls and accounting systems leading to greater fraud and money laundering risk; operatonal risks leading to failure to provide timely and accurate financial and other reports to management, or to submit timely and accurate regulatory returns; cyber risk; the risk of inadequate 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 also exists at the PCC's Board and executive level.

II. Risk mitigation techniques used for operational and outsourcing risks

The PCC and AIHL have a relatively high tolerance level for outsourcing risk, because 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 Board remains conscious at all times of their own duty to manage and control outsourcing risk and to ultimately retain full responsibility for the outsourced functions.

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 to key outsourced function holders is also a key risk control. 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. Credit risk controls include access to agents' premium accounts, regular reconciliations of banking transactions with bordereaux, and the maintenance of premium accounts under trust conditions.

Key controls of the systems and operational risks related to Maltese based operations, include: employment of professional management company, regular interaction between Managers and local executive directors, regular onsite visits and meetings, and internal audits.

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 the Group 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 reputational impact of regulatory sanction on the business.

The risk is managed and mitigated by: stringent focus on and commitment to regulatory solvency and other compliance, the employment of professional managers and local executive directors, Compliance Function, Internal Audit Function, Actuarial Function supported by qualified actuary.

The compliance risk has not been specifically stress tested. However, all stress tests 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.

The risk is further mitigated by the requirement for each cell to meet and exceed its own solvency requirement in normal circumstances, with capital plans in place to respond to stressed circumstances. Risk sensitivities are tested by individual stress tests 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, and the surplus carried by the core. Cells are legally protected from the liabilities of other cells and from the core. Therefore, the most serious financial impact for a cell is considered 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 meet this cost.

III. PCC Reputational Risk

The PCC reputation risk is relevant to each cell and the core. This is defined as the impact on a cell, or the core, of reputational damage caused by association with other cells or the core. This risk is considered relatively low in probability and impact, due to the commoditised nature of the PCC's insurance products, 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

This includes the impact of global pandemics such as Covid-19. The risk arising from economic deterioration is considered under three outcome scenarios:

a) a reduction in cell facility take-up or take up of cell or core insurance products: This considers scenarios which, alone, would not lead to a deterioration of solvency vis-à-vis risk.
b) poorer underwriting results: This envisages scenarios where higher claim levels arise from economic deterioration including moral hazard risk, or where direct claims arise out of extraordinary events such as Covid-19.
c) a combination of a) and b)

Risk sensitivity:

The risk of higher claims than expected is one of the standard stress tests carried out for the core and all cells. Covid-19 specific stress tests have also been carried out for the core and each active cell involving a mixture of increased claims and premium volume downturn, depending on the portfolio profile. In each case the core and each cell, and the consolidated PCC, would continue to comfortably meet solvency requirements.

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.

For existing UK focused cells, the options for continuing to access UK markets are being developed. 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 2019. The second table is a summary of the assets of the Group combined as at 31st December 2019.

PCC SOLO BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2019			
	Solvency II Value	Statutory Value	Commentary
	€	€	
Financial assets	2,193,508	2,188,158	See I below
Deferred tax asset	392,808	152,213	See II below
Reinsurers' share of technical provisions	655,537	654,156	See III below
Loans & Mortgages	15,289,648	16,556,439	See IV below
Other Receivables	224,002	499,005	See V below
Direct insurance operations receivables	1,439,973	2,901,901	See VI below
Deferred acquisition costs		1,132,628	See VII below
Other Assets not otherwise shown		22,803	See VIII below
Cash at bank	19,515,537	19,537,721	See IX below
Total Balance Sheet Assets	**39,711,013**	**43,645,023**	

PCC GROUP BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2019			
	Solvency II Value	Statutory Value	Commentary
	€	€	
Financial assets			See I below
Deferred tax asset		21,386	See II below
Reinsurers' share of technical provisions			See III below
Loans & Mortgages	2,781,439	2,781,439	See IV below
Other Receivables	1,336,176	1,336,176	See V below
Direct insurance operations receivables	42,447	164,783	See VI below
Deferred acquisition costs			See VII below
Other Assets not otherwise shown			See VIII below
Cash at bank	6,229,480	6,229,480	See IX below
Total Balance Sheet Assets	**10,389,542**	**10,533,264**	

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 PCC 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 differences between reinsurer's share of TP under SII and IFRS are derived from the adjustments to the Gross TPs from IFRS to SII. Gross TPs are further adjusted for own costs and risk margin retained net.

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. On an IFRS basis all premium which have been written but not yet paid at the valuation date (31/12/2019) are treated as receivables in the IFRS balance sheet. On a Solvency II basis only unpaid premiums which were technically due for payment at the valuation date are treated as premiums receivable on the Solvency II balance sheet. Any unpaid premiums which are not yet technically due are not treated as premiums receivable but are recognised within the Solvency II premium best estimate calculation as a reduction of amounts due to policyholders. These different treatments account for the material difference between direct insurance receivables on IFRS and Solvency II bases.

VII. **Deferred acquisition costs (DAC)** represent the unearned portion of direct commissions incurred in securing new contracts and renewing existing contracts. They are deferred and amortised over the period in which the related premiums are earned, which is typically a period of between one to three years. DAC are capitalised and shown in the financial (statutory) balance sheet. DAC 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, regardless of whether the contracts cover expired or unexpired periods. The estimates are based on past experience with adjustments for expected deviations in the future.

The PCC's statutory accounts include provisions for all unpaid claims notified by Insureds (claims outstanding), except for medical insurance where provision is made for all claims where treatment has already occurred. Provision is also made for claims incurred but not reported (IBNR) based on previous claims experience. Unearned premium reserves provided for in the statutory accounts reflect the unexpired portion of written premium.

The technical provisions for the year ended 31 December 2019 are set out in the following tables, on both Solvency II and Statutory bases, for PCC Solo and Group:

PCC Solo Technical Provisions at 31st December 2019 (P17.01.02)		STATUTORY			SOLVENCY II		
		GROSS	Recoverable from Reinsurers	NET	GROSS	Recoverable from Reinsurers	NET
		€	€	€	€	€	€
TECHNICAL PROVISIONS - NON-LIFE (EXCLUDING HEALTH)	**Total Best Estimate**	**5,117,155**	**-**	**5,117,155**	**1,903,320**		**1,903,320**
	Fire & Other Damage to Property	*80,096*	-	*80,096*	*49,431*	-	*49,431*
	Credit & Suretyship	-	-	-	-	-	-
	Miscellaneous Financial Loss	*5,037,059*		*5,037,059*	*1,853,889*	-	*1,853,889*
	Risk Margin	-	-	**-**	**242,334**	-	**242,334**
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	**3,283,066**	**654,156**	**2,628,910**	**3,503,462**	**655,537**	**2,847,925**
	Medical Expense	*1,400,750*	*654,156*	*746,594*	*1,377,345*	*655,537*	*721,808*
	Income Protection	*1,882,316*	-	*1,882,316*	*2,126,117*	-	*2,126,117*
	Risk Margin	-	-	**-**	**210,948**	-	**210,948**
TOTAL TECHNICAL PROVISIONS		**8,400,221**	**654,156**	**7,746,065**	**5,860,064**	**655,537**	**5,204,527**

	PCC GROUP Technical Provisions at 31st December 2019 (P17.01.02)						
		STATUTORY			SOLVENCY II		
		GROSS €	Recoverable from Reinsurers €	NET €	GROSS €	Recoverable from Reinsurers €	NET €
TECHNICAL PROVISIONS - NON-LIFE (EXCLUDING HEALTH)	**Total Best Estimate**	**695,964**	-	**695,964**	**350,445**	**0**	**350,445**
	Fire & Other Damage to Property	*34,798*	-	*34,798*	*17,522*	*0*	17,522
	Credit & Suretyship					*0*	-
	Miscellaneous Financial Loss	*661,166*	-	*661,166*	*332,923*	*0*	332,923
		-	-	-			-
	Risk Margin				**63,069**	*0*	**63,069**
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	-	-	-			
	Medical Expense	-	-	-			
	Income Protection	-	-				
				-			
	Risk Margin	-	-	-			
TOTAL TECHNICAL PROVISIONS		**695,964**	-	**695,964**	**413,514**	-	**413,514**

The main difference between the best estimates in the Solvency II balance sheet and the IFRS technical provisions arise from the treatment of premium reserves held for unexpired periods. Under IFRS these are calculated on a timing basis whereby the full unexpired (unearned) portion of written premium is held in reserve as a separate balance sheet liability. However, under Solvency II, these unexpired/unearned premium reserves are replaced by by best estimate premium provisions. These are reserves for claims in future periods and are calculated by applying expected loss ratios to the unexpired/unearned premium. Further, unpaid premium which is not yet due for payment at the valuation date, is now recognised within the Solvency II best estimate premium calculation, as a deduction of amounts due to policyholders, whereas under IFRS all such premium is treated as a receivable on the asset side of the balance sheet.

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.

Assumptions and methods

The main assumptions in the reserving exercise relate to the evaluation of the underlying insured risks and events by, with reference to historic data where available, the estimation of expected average cost per claim, the likely future number of claims, and any inflationary trends. 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 additional margin is calculated in accordance with Article 37 of the Commission Delegated Regulation (EU) 2015/35 to ensure that the technical provisions as a whole are equivalent to the amount that an insurance undertaking is likely to require to take over the insurance obligations.

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

i. Estimation of outstanding loss reserves ("OSLR"). Although these are reported claims, assessing the settlement cost is subject to some uncertainty.
ii. Estimation of losses 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 detail of individual claims is not yet known. 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 for timing of claim payments using the risk free rate with no volatility adjustment produced by EIOPA.
iii. Incurred but not enough reported ("IBNER"). This allows under-reporting of the quantum of known loss events.

iv. Estimation of claims arising in future periods ("unexpired risks"): This is uncertain as the losses have not yet been incurred.
v. Market environment changes: These increase the inherent uncertainty affecting the business, in particular, claims inflation.
vi. Events not in data ('ENID loading'): This is subject to considerable uncertainty as such events are not seen in the observable historical loss data. It also includes a loading for Binary events, loss-generating events with low frequency and high severity impact.
vii. Run-off expenses: The estimation of these is inherently uncertain due the need to estimate the run-off period, base costs and inflation.
viii. Risk margin: this is the margin payable to transfer the business to another insurance carrier. It is uncertain due to the requirement to forecast future solvency capital requirements over the run-off period.

The PCC manages these uncertainties by:

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 2019, on both Solvency II and IFRS basis, are shown below:

PCC Solo Other Liabilities at 31st December 2019	Solvency II Value €	Statutory Accounts €	Commentary
Deferred Tax Liabilities	216,957		See I below
Other Financial Liabilities other than debts owed to credit institutions			
Other Technical Provisions	78,158	78,158	See III below
Reinsurance Payables	360,042	360,042	See IV below
Trade Payables (Not Reinsurance)	11,715,414	11,750,877	See V below
Other Liabilities		9,375	See VI below
Total	**12,370,571**	**12,198,452**	

PCC GROUP Other Liabilities at 31st December 2019	Solvency II €	Statutory €	Commentary
Deferred Tax Liabilities	43,824	-	See I below
Other Financial Liabilities other than debts owed to credit institutions	1,758,320	1,758,320	See II below
Other Technical Provisions			See III below
Reinsurance Payables	31,730	31,730	See IV below
Trade Payables (Not Reinsurance)	766,843	766,843	See V below
Other Liabilities		9,375	See VI below
Totals	**2,600,717**	**2,566,268**	

I. *Deferred Tax Liabilities:* This item arises on the Solvency II balance sheet in respect of one cell and the core for which the technical provisions were lower under Solvency II than under IFRS, due to the adjustment between the two bases described above. In each case the SII reconciliation account (profit) was increased, thereby creating a potential additional tax liability over and above statutory tax liabilities.

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 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 replaced by loss reserves 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 2019. 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 quarterly cell committee meeting.

As part of own fund management, and within its ORSA process during which risk and capital management functions interact, the PCC prepares 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 both 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. 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 meet their own solvency, as determined by their own risk profiles. However, in circumstances where an individual cell has not met its solvency requirements with cellular own funds, the shortfall is covered by the core surplus.

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:

a. the cellular assets attributable to that cell shall be primarily used to satisfy the liability;
b. the PCC'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 in place the following contractual safeguards, should this scenario arise:

a. if the assets of a given cell 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 policyholder interests arising from the PCC's contractual obligations;
- To provide adequate return for shareholders; and
- To ensure 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 2019 are as follows:

PCC Solo Own Funds at 31st December 2019						
Solo Own Fund items	**Tier**	**Solvency II Restricted Own Funds* €**	**%**	**Own Funds Item Statutory/ IFRS**	**IFRS Own Funds €**	**%**
Ordinary and Cellular Share Capital	1	10,971,274	65%	Ordinary and Cellular Share Capital	11,543,618	47%
Reconciliation Reserve	1	3,131,916	18%	Retained Earnings	8,326,885	45%
Other Own Funds	1	2,684,301	16%	Other Reserves	3,175,846	8%
Ancillary Own Funds	2	-	0%			0%
Amount equal to the value of net deferred tax assets	3	175,850	1%			0%
Total		**16,963,341**	**100%**	**Total**	**23,046,349**	**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 2019	
	€
IFRS Own Funds	23,046,349
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	(1,132,628)
Net increase in Technical Provision liabilities - *see J2 above*	1,001,171
Other Technical Provision liabilities - *see J3 above*	0
Increase/(Reduction) in net tax liabilities - *see J3 above*	23,638
Ancillary Own Funds - Issued but unpaid share capital	0
Solvency II unrestricted Own Funds	**22,938,530**
*Effect of restriction of Own Funds due to the adjustment in respect of ring fenced funds (RFF);	(5,975,190)
Solvency II restricted Own Funds	**16,963,340**

* This provision requires that each cells' funds be capped at 100% of own SCR. It is reflected in a reduction in the consolidated reconciliation reserve. The consolidated difference of €4,517,035 is noted under 5.i below, (QRT 23.01.01 (Solo), line R0740). The difference between €5,975,190 and €4,517,035 represents the own funds of the AIF cell. These are not counted as part of SII restricted own funds because the cell is no longer active and had no solvency capital requirement at 31st December 2019.

By comparison PCC Solo Own Funds as at 31st December 2018 were as follows:

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 value of net deferred tax assets	3	133,950	1%			0	0%
Total		**16,291,412**	**100%**		**Total**	**24,388,940**	**100%**

The 2018 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 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**

Group Own Funds at 31st December 2019 were as follows:

PCC GROUP Own Funds at 31st December 2019						
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	83%	Ordinary and Cellular Share Capital	4,842,344	67%
Reconciliation Reserve	1	2,532,967	43%	Retained Earnings	2,428,687	33%
Other Own Funds	1	-	0%			
Ancillary Own Funds	2	-				
Amount equal to the value of net deferred tax assets	3	-				
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #		(1,526,382)	-26%			
Total		**5,848,929**	**100%**	**Total**	**7,271,031**	**100%**

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

The 2019 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 2019	
	€
IFRS Own Funds	5,744,650
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	0
Net (increase)/decrease in Technical Provision liabilities - *see J2 above*	282,450
Net (increase)/decrease in Other Technical Provisions liabilities - *see J3 above*	-122,336
Net (Increase)/decrease in deferred tax liabilities - *see J3 above*	-65,210
Ancillary Own Funds - Issued but unpaid share capital	0
Solvency II restricted Own Funds	**5,848,929**

Comparative PCC 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	92%
Reconciliation Reserve	1	943,345	19%	Retained Earnings	1,563,221	30%
Other Own Funds	1	900,000	18%	Other Own Funds	900,000	17%
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%		-2,058,428	39%
Total		**5,063,123**	**100%**	**Total**	**5,247,137**	

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

At 31st December 2018, 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 2018	
	€
IFRS Own Funds	5,247,137
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
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.

Ancillary Own Funds

At 31st December 2019, 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 2019. The PCC Group ancillary own funds were €370,000 at the same date. Ancillary Own Funds have not been taken into account for solvency purposes.

4. MCR and SCR

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

The SCR of the PCC Solo at as 31st December 2019 was €14,192,636, as broken down in the table below. Own funds available to cover the SCR were €21,480,376, restricted to €16,963,341 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 119.52%. At 31st December 2018 the SCR of the PCC Solo was €13,382,099. Own funds available to cover the SCR were €24,882,025, restricted to €16,291,412, resulting in a ratio of eligible Own Funds to SCR of 121.74%.

PCC Solo – Solvency Capital requirement at 31st December 2019, with comparative figures for 2018

	PCC Solo – SCR breakdown at 31/12/2019			PCC Solo – SCR breakdown at 31/12/2018	
	Gross solvency capital requirement before allocation of RFF adjustment €	Gross solvency capital requirement after allocation of RFF adjustment €	Commentary	Gross solvency capital requirement before allocation of RFF adjustment €	Gross solvency capital requirement after allocation of RFF adjustment €
Market risk	14,450,425	13,134,879	See I below	11,271,534	9,607,618
Counterparty default risk	2,237,161	2,033,493	See II below	3,415,580	2,911,369
Life underwriting risk – n/a	0	0		0	0
Health underwriting risk	3,162,669	2,874,744	See III below	3,584,185	3,055,084
Non-life underwriting risk	7,830,291	7,117,432	See III below	7,729,730	6,588,659
Diversification	-7,636,061	-6,940,885		-7,922,220	-6,752,734
Intangible asset risk	0	0		0	0
Basic Solvency Capital Requirement	**20,044,484**	**18,219,663**		**18,078,809**	**15,409,996**
Calculation of Solvency Capital Requirement					
Adjustment due to RFF/MAP nSCR aggregation	0	1,824,821		0	2,668,813
Operational risk	746,340	746,340		837,809	837,809
Loss-absorbing capacity of technical provisions	0	0		0	0
Loss-absorbing capacity of deferred taxes	-6,598,188	-6,598,188		-5,534,519	-5,534,519
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	14,192,636	14,192,636		13,382,099	13,382,099
Solvency capital requirement	**14,192,636**	**14,192,636**	See IV below	**13,382,099**	**13,382,099**

Group Solvency

The SCR of the PCC Group at as 31st December 2019 was €2,322,717. Available Own Funds eligible to cover the SCR were €5,848,929 resulting in a ratio of eligible Own Funds to SCR of 251.81% on a Group consolidated basis. In 2018 the Group's SCR was €2,484,963 covered by eligible Own Funds of €5,063,123, providing a ratio of 203.75% for the Group in that year.

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

PCC Group – Solvency Capital requirement at 31st December 2019

	PCC Group SCR Breakdoswn at 31/12/2019		PCC Group SCR Breakdown at 31/12/2018
	Gross solvency capital requirement after allocation of RFF adjustment €	**Commentary**	**Gross solvency capital requirement after allocation of RFF adjustment €**
Market risk	2,211,147	See I Below	1,857,722
Counterparty default risk	488,712	See II below	898,245
Life underwriting risk			0
Health underwriting risk			0
Non-life underwriting risk	777,389	See III below	825,364
Diversification	-736,440		-882,892
Intangible asset risk			
Basic Solvency Capital Requirement	2,740,808		2,698,439
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation	39,019		244,137
Operational risk	39,116		92,629
Loss-absorbing capacity of technical provisions			
Loss-absorbing capacity of deferred taxes	-496,226		-550,242
Solvency capital requirement	**2,322,717**	**See IV below**	**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. The material increase in the Solo market risk charge between 2018 and 2019 was mainly due to the increase in the loan of one cell back to its group. This loan was repaid in the first quarter of 2020. Also, with respect to both PCC and Group, some risk elements previously categorised under counterparty risks were recategorized under market 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). The reduction in Solo counterparty risk in 2019 over 2018 was largely down to lower bank balances due to increased group loan in one case. Also, with respect to both Solo and Group, some risk elements previously categorised under counterparty risks were recategorized under market risks.

III. **Health & Non-life Underwriting Risks** - the PCC & Group are exposed to non-life underwriting risk arising from the insurance policies the PCC sells. The risk is that premium and reserves will not be sufficient to pay ultimate claims, including from catastrophic events. For both, the movements over 2018 were in line with general business movements.

IV. The final solvency capital requirements of the PCC & Group are the aggregations of their market, counterparty and non-life underwriting risks, reduced for diversification, and increased for operational risk exposures

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.

II. Minimum Capital Requirement (MCR) – PCC Solo

The MCR of the PCC Solo as at 31 December 2019 was €3,700,000. Eligible own funds to meet the MCR were €21,304,526, adjusted to €16,787,491 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 453.72%. In 2018 the restricted eligible own funds to meet the €3,700,000 Solo MCR were €15,183,400 resulting in a ratio of eligible own funds to MCR of 410.36% in that year.

The inputs used to calculate the MCR of the PCC Solo are as follows, with comparative figures shown for 2018:

MCR INPUTS - PCC SOLO	Net Best Estimate Technical Provisions (2019) €'000	Net Best Estimate Technical Provisions (2018) €'000	Net Written Premiums in the last 12 months (2019) €'000	Net Written Premiums in the last 12 months (2018) €'000
Medical expense	722	2,000	749	4,545
Income protection	2,126	2,302	6,616	5,452
Fire and other damage to property	49	19	112	45
Credit & suretyship		219	0	-981
Miscellaneous financial loss	1,854	1,594	13,439	12,244

	2019 €	2018 €
Linear MCR	**2,908**	**2,796**
SCR	**14,193**	**13,382**
MCR cap	6,387	6,022
MCR floor	3,548	3,346
Combined MCR	3,548	3,346
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 2019 was €3,700,000, unchanged from 2018. The PCC Group's (restricted) Own funds available to meet its MCR were €5,848,929, resulting in a ratio of eligible own funds to MCR of 158.08%, compared with €4,627,261 and an own funds ratio of 125.06% at 31st December 2018.

IV. Any other disclosures

There are no other disclosures.

5. Quantitative Reporting Templates

I. Own Funds – PCC Solo (S.23.01.01)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	10,971	10,971			
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					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	3,132	3,132			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	176				176
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	2,684	2,684			
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	16,963	16,787			176
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	16,963	16,787			176
Total available own funds to meet the MCR	R0510	16,787	16,787			
Total eligible own funds to meet the SCR	R0540	16,963	16,787			176
Total eligible own funds to meet the MCR	R0550	16,787	16,787			
SCR	R0580	14,193				
MCR	R0600	3,700				
Ratio of Eligible own funds to SCR	R0620	1.1952				
Ratio of Eligible own funds to MCR	R0640	4.5372				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	21,480	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	13,831	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	4,517	
Reconciliation reserve	R0760	3,132	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780		
Total Expected profits included in future premiums (EPIFP)	R0790		

II. Balance Sheet – PCC Solo (S.02.01.02)

At 31st December 2019

Annex I

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	393
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**	2,194
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	51
Equities – listed	**R0110**	51
Equities – unlisted	**R0120**	
Bonds	**R0130**	372
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	353
Structured notes	**R0160**	20
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	1,770
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	15,290
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	15,290
Reinsurance recoverables from:	**R0270**	656
Non-life and health similar to non-life	**R0280**	656
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	656
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**	1,440
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	224
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**	19,516
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	39,711

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	5,860
Technical provisions – non-life (excluding health)	**R0520**	2,146

TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	1,903
Risk margin	**R0550**	242
Technical provisions - health (similar to non-life)	**R0560**	3,714
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	3,503
Risk margin	**R0590**	211
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**	217
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	78
Reinsurance payables	**R0830**	360
Payables (trade, not insurance)	**R0840**	11,715
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	18,231
Excess of assets over liabilities	**R1000**	21,480

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

		Medical expense insurance	Income protection insurance	Fire and other damage to property insurance	Credit and suretyship insurance	Miscellaneous financial loss	Total Non-Life obligation
Best estimate							
Premium provisions							
Gross	**R0060**	23,740	-	15,822	-	899,773	939,335
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	-	-	-	-	-
Net Best Estimate of Premium Provisions	**R0150**	23,740	0	15,822	0	899,773	939,335
Claims provisions							
Gross	**R0160**	1,353,604	2,126,117	33,609	-	954,116	4,467,446
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	655,537	-	-	-	-	655,537
Net Best Estimate of Claims Provisions	**R0250**	698,067	2,126,117	33,609	0	954,116	3,811,909
Total Best estimate - gross	**R0260**	1,377,344	2,126,117	49,431	0	1,853,889	5,406,781
Total Best estimate - net	**R0270**	721,807	2,126,117	49,431	-	1,853,889	4,751,244
Risk margin	**R0280**	29,192	181,756	8,192	-	234,142	453,282
Technical provisions - total							
Technical provisions - total	**R0320**	**1,406,536**	**2,307,873**	**57,623**	**-**	**2,088,031**	**5,860,063**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	655,537	-	-	-	-	655,537
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	**750,999**	**2,307,873**	**57,623**	**-**	**2,088,031**	**5,204,526**

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	14,450		
Counterparty default risk	R0020	2,237		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	3,163		
Non-life underwriting risk	R0050	7,830		
Diversification	R0060	-7,636		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	20,044		

Calculation of Solvency Capital Requirement		
Operational risk	R0130	746
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-6,598
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	14,193
Capital add-on already set	R0210	
Solvency capital requirement	R0220	14,193
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	922
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	13,271
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	722	749
Income protection insurance and proportional reinsurance	R0030	2,126	6,616
Fire and other damage to property insurance and proportional reinsurance	R0080	49	112
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,854	13,438

Overall MCR calculation

		C0070
Linear MCR	R0300	2,908
SCR	R0310	14,193
MCR cap	R0320	6,387
MCR floor	R0330	3,548
Combined MCR	R0340	3,548
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	2,533	2,533			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at Group level	R0150					
An amount equal to the value of net deferred tax assets	R0160					
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					
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						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	1,526	1,526			
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	1,526	1,526			
Total basic own funds after deductions	R0290	5,849	5,849			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
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					
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	5,849	5,849			
Total available own funds to meet the minimum consolidated Group SCR	R0530	5,849	5,849			
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	5,849	5,849			
Total-eligible own funds to meet the minimum consolidated Group SCR	R0570	5,849	5,849			
Minimum consolidated Group SCR	R0610	3,700				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	1.5808				

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**	5,849	5,849			
Group SCR	**R0680**	2,323				
Ratio of Eligible own funds to Group SCR including other financial sectors and the undertakings included via D&A	**R0690**	2.518				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	**R0700**	7,375				
Own shares (included as assets on the balance sheet)	**R0710**					
Forseeable dividends, distributions and charges	**R0720**					
Other basic own fund items	**R0730**	4,842				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**					
Other non available own funds	**R0750**					
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	2,533				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		-			
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		-			
Total EPIFP	**R0790**		-			

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

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
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	2,781
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	2,781
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
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	42
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	1,336
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	6,229
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	10,390
		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	R0510	413
Technical provisions – non-life (excluding health)	R0520	413
TP calculated as a whole	R0530	
Best Estimate	R0540	350
Risk margin	R0550	63
Technical provisions - health (similar to non-life)	R0560	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
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**	44
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	1,758
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	32
Payables (trade, not insurance)	**R0840**	767
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	3,014
Excess of assets over liabilities	**R1000**	7,375

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	2,243		
Counterparty default risk	R0020	496		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	788		
Diversification	R0060	-747		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	2,780		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	39
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-496
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	2,323
Capital add-on already set	R0210	
Solvency capital requirement	R0220	2,323
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	2,236
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	87
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Minimum consolidated Group solvency capital requirement	R0470	3,700
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
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	

Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	**R0520**	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non–regulated entities carrying out financial activities	**R0530**	
Capital requirement for non-controlled participation requirements	**R0540**	
Capital requirement for residual undertakings	**R0550**	
Overall SCR		
SCR for undertakings included via D and A	**R0560**	
Solvency capital requirement	**R0570**	2,323