ADVENT INSURANCE PCC LIMITED

GROUP AND SOLO SOLVENCY AND FINANCIAL CONDITION REPORT

YEAR ENDED 31ST DECEMBER 2020

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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 – Holders of Qualifying Holdings in the PCC

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 PCC is 94% owned subsidiary of OneAdvent Limited, a company incorporated in Ireland. The Company's ultimate holding undertaking is Abbey International Finance Limited, a company incorporated in Ireland.

The cellular shares of AIF Cell and Finance One Cell have the same 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 is 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 2020 the PCC's core continued to write the French loss of rent cover. The business was terminated on 31st December 2020 and is in run-off.

5. Activities of the Cells

At 31st December 2020 the PCC had four operational cells open for new business:

- **Absolut Cell:** During 2020 this cell provided, 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:** During 2020, this cell provided, under general insurance Classes 1 (Accident) and 2 (Sickness), income protection insurance to customers based in the UK.
- **Unlimited Care Cell:** During 2020 this cell provided, under general insurance Classes 1 (Accident) and 2 (Sickness), private medical Insurance, to customers based in Portugal.
- **Autorama Cell:** During 2020 this cell provided, under Class 16 (Miscellaneous Financial Loss) motor return to invoice finance 'gap' cover, and under Class 9 (Other Damage to Property) property damage for business equipment. Its market is the UK.

Cells in run-off and pending closure:

- **Freedom Health Cell** sold, under general insurance Classes 1 (Accident) and 2 (Sickness), private medical Insurance to customers based in the UK and Germany. The cell ceased writing new business with effect from 1st March 2019 and is in run-off
- **AIF Cell** has voluntarily surrendered its license and will close during 2021.
- **Finance One Cell** has voluntarily surrendered its licence and will close during 2021.

6. Related Party Transactions

During 2020 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 which one of the directors is a partner, is occasionally engaged to provide legal advice to the Company. The fees charged by the law 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 2020 (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	0	55,872	43,143	1,061,559	940,156	0	4,120,555	-64,011	207,708	7,018,064	13,383,046
Reinsurance Outwards	0	0	0	0	0	0	0	252,835	0	-18,546	234,289
Gross Claims Incurred	0	-19,277	-19,414	-366,262	-99,141	0	-1,295,648	-441,650	-2,631	-1,396,752	-3,640,775
Net Operating Expenses	0	-13,993	-8,174	-265,865	-519,672	0	-272,895	6,889	-133,679	-3,643,137	-4,878,398
Other Technical Income	0	0	0	0	0	0	0	-19,792	-27,872	-87,541	-107,333
Technical UW Result	**0**	**22,602**	**15,555**	**429,432**	**321,344**	**0**	**2,552,012**	**-265,729**	**43,526**	**1,872,088**	**4,990,829**

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**

Earned premium fell significantly, to 55% of 2019, largely due to a fall in the Belgium travel cancellation and the cessation of Freedom Health's UK medical expenses insurance business. The former resulted from the impact of Covid-19 on the travel industry, the latter from run-off of the UK medical expenses portfolio, no new business having been written since February 2019. The other lines enjoyed higher earned premiums than 2019 including the UK motor gap cover which suffered a material drop in written premium in 2020. For that portfolio the 2020 earned premium was bolstered by premium written during 2019 and earned in 2020. Movements in Incurred claims, expenses and other technical income were materially in line with earned premium movements between 2019 and 2020.

8. Performance from underwriting activities – PCC Group Data

PCC GROUP DATA – PERFORMANCE FROM UNDERWRITING ACTIVITIES YEAR ENDED 31ST DECEMBER 2020 (WITH COMPARATIVE DATA FOR 2019)										
	CREDIT & SURETYSHIP 2020	CREDIT & SURETYSHIP 2019	PROPERTY 2020	PROPERTY 2019	MISCELLANEOUS FINANCIAL LOSS 2020		MISCELLANEOUS FINANCIAL LOSS 2019		TOTALS 2020	TOTALS 2019
GEOGRAPHICAL AREA	IRELAND	IRELAND	FRANCE	FRANCE	FRANCE	SPAIN	FRANCE	SPAIN	TOTALS	TOTALS
Premiums Earned	0	233,679	55,872	51,088	1,061,559	0	970,672	48,443	1,117,431	1,303,882
Reinsurance Outwards	0	-242,621	-19,277	0	-366,262	0	0	0	-385,539	-242,621
Gross Claims Incurred	0	-81,788	-13,993	-28,737	-265,865	0	-546,003	-25,899	-279,858	-682,427
Net Operating Expenses	0	-225,771	0	-12,772	0	0	-242,668	-7,819	0	-489,030
Other Technical Income	0	58,803	0	0	0	0	0	0	0	58,803
Technical UW Result	**0**	**-257,698**	**22,602**	**9,579**	**429,432**	**0**	**182,001**	**14,725**	**452,034**	**-51,393**

The Group's earned premiums fell to 86% of 2019, due to cessation of Finance One's Irish surety and the AIF Cell's Spanish missed flight businesses, although the Core's French loss of rent business enjoyed a 9% increase in earned premium, over 2019. The material improvement in the technical underwriting result in 2020 over 2019 was the combined result of improvement in the French loss of rent business, and of negative charges in the Irish surety business incurred in 2019, not repeated in 2020.

9. Performance from investment activities

I. PCC Solo Finance and Investment gains

The finance income and investment gains earned by the PCC during 2020, compared with 2019, are summarised in the following tables.

PCC SOLO – INVESTMENT INCOME FOR YEAR ENDED 31.12.2020			
Income	**Core**	**All Cells**	**TOTALS**
Income on Cash at Bank	5,666	3,306	8,972
Investment Income including Group Loans	17,836	83,550	101,386
Net gains on Investments	-179,501	-86,269	-265,770
Realised FX gains and losses	-38,216	23,452	-14,764
Total	**-194,215**	**24,039**	**-170,176**

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**

II. PCC Group Finance and Investment gains

PCC GROUP – INVESTMENT INCOME FOR YEAR ENDED 31.12.2020				
Income	**AHL**	**Core**	**Group Cells**	**TOTALS**
Income on Cash at Bank	0	5,666	1	5,667
Investment Income including Group Loans	0	17,836	0	17,836
Net gains on Investments	0	-179,501	-117,399	-296,900
Realised FX gains and losses	0	-38,216	0	-38,216
Total	0	**-194,215**	**-117,398**	**-311,613**

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

For both Solo and Group the main source of investment income was from interest on inter-group loans, although this fall from 2019, due to repayment of one large loan in early 2020. The negative net gains on investments in 2020 was largely due to an unrealised foreign exchange loss.

10.Other Income

The core facility fees fell to €205,942 in 2020, from €254,606 in 2019, due to the operational closure of the AIF and Finance Once cells.

11.Operating and Other Expenses.

I. PCC Solo Operating and Other Expenses

PCC SOLO OPERATING AND OTHER EXPENSES FOR 2020 WITH 2019 COMPARATIVE FIGURES	Core 2020	Core 2019	Cells 2020	Cells 2019	Total 2020	Total 2019
Acquisition costs	279,358	281,337	4,034,206	5,827,710	4,313,564	6,109,047
Novation loss	-	-	-	361,777	-	361,777
Profit Commission	-	-	53,472	153,369	53,472	153,369
Claims Handling fee	500	2,390	618,195	595,156	618,695	597,546
Administration Expenses	255,142	498,743	930,290	887,095	1,185,432	1,385,838
Totals	**535,000**	**782,470**	**5,636,153**	**7,825,107**	**6,171,163**	**8,607,577**

The acquisition costs and claims handling fees expensed during 2020 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. Administration expenses are non-underwriting overheads included in the non-technical profit and loss account. The acquisition and claims handling expenses move materially in line with earned premium and incurred claims respectively. However, administration fees are less impacted by technical volumes.

II. PCC Group Operating / other expenses

PCC GROUP OPERATING AND OTHER EXPENSES								
	AIHL		Core		Group Cells		Totals	
	2020	2019	2020	2019	2020	2019	2020	2019
Acquisition costs	-	-	279,358	281,337	-	62,886	279,358	344,223
Novation Loss	-	-	-		-	361,777	-	361,777
Claims Handling fee	-	-	500	2,390	-	-	500	2,390
Administration Expenses	11,640	21,188	255,142	498,743	29,139	81,962	294,703	601,893
Totals	**11,650**	**21,188**	**535,000**	**782,470**	**29,139**	**506,625**	**574,561**	**1,310,283**

The changes in acquisition costs and commissions received in 2020, over 2019, are generally in line with movements in earned premium.

12. Covid-19 Impact Statement

During 2020 and continuing into 2021 the Covid-19 pandemic has caused widespread curtailment of economic, social and cultural activities, with local and international travel restrictions put in place by governments globally. The economic fall-out resulting from these restrictions affected the Company's business during 2020. In particular, the gross written premium of one cell, which sells travel cancellation insurance, fell materially because of the severe global travel restrictions. Another cell with connections to motor trade risks saw a downturn in GWP due to a fall in sale of new vehicles during 2020. The pandemic had minimal to moderate impact on other parts of the business. As a whole, the PCC has absorbed the impact of the pandemic well, mitigated by governmental stimulus measures, and expects to continue to do so. It looks forward to a return to more normal activity during the latter part of 2021 and in 2022.

C. SYSTEM OF GOVERNANCE

1. General Governance System

I. The Board of Directors of the AIHL

At 31st December, 2020 the Board of Directors of the group holding company, AIHL, consisted of Christian Farrugia, David Hill and Anne Finn. James Dunbar Cousin resigned during 2020 and Anne Finn joined the board. 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 2020 the Board had four directors, three of whom were resident in Malta. The Board members were: David Hill (UK), Christian Farrugia (Malta), James Dunbar Cousin (Malta), Anne Finn (Malta). John Prosser (Ireland) and Derek Douglas (UK) retired from the Board respectively on 31st March 2020 and 1st April 2020. The Board members collectively have qualifications and expertise in Accounting, Insurance Underwriting, Risk Management, Compliance, Investment, 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 once every quarterly, and more frequently as and when required.

III. Underwriting Committee

The Board is supported by an Underwriting Committee, which is a sub-committee of the Board. At 31st December 2020 the Underwriting Committee members were: David Hill and Anne Finn. The Underwriting Committee assists the Board in evaluating cell proposals and underwriting opportunities for the core. 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 separate remuneration committee, but the function of such a committee is retained at board level. The Company's 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. This 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 at least quarterly and report to the Advent Board. During 2020 at least 4 additional committees were help, per cell, to ensure adequate monitoring of the Covid situation.

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 persons it employs or contracts with, to confirm their identity, background, qualifications, employment history, criminal record, including spent or lapsed offences, if any to ensure their 'fit' and 'proper' status.
iv. All outsourcing and consultancy arrangements are cancellable.
v. All Board members, qualifying shareholders, senior persons 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 continually monitored and evaluated through regular interaction and 'four eyes' output review and assessment.
vii. Outsourced service providers nominate a person to be responsible for the outsourced service; that person 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 continual 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, captures and assesses all material risks. Within the Risk Registers the PCC:

- Grades risks by probability and impact, from which an overall risk grade is derived
- Outlines the strategies in place for management, control and mitigation to limit its exposure to each material risk.
- Re-grades risks after taking account of mitigations
- Orders the risks by materiality

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 registers to ensure that all significant risks are adequately measured, monitored and controlled. A cell's risk register is discussed at least annually by the relevant cell committee; 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 monthly, Managers receive bordereaux detailing premium and claims of the previous month. These positions are reported at least quarterly to the cell committees and board.
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 ORSA is a forward looking assessment of solvency and capital requirements that comprehensively considers the PCC's business strategy, risk appetite and risk profile across a three year planning period. It assesses the PCC's material risks and measures the adequacy of the PCC's current and prospective solvency positions under normal and stressed 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 strategic decisions will have on its future risk profile, regulatory capital requirements and overall solvency. The ORSA is 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, 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 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 who operate under written contracts with the PCC core, individual cells and AHL. The Managers are the initial recipients of the cells' and core business data, in the form of detailed monthly and quarterly reports from service providers. The Managers 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 the Managers 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 from the managers and managing general agents in the risk territories. These are supplemented by periodic onsite visits to the offices of the managing general agents in the risk territories.

4. Compliance Function

The PCC's Compliance Function, and the role of the Compliance Officer, is outsourced to the Managers. 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 is outsourced to an independent professional firm in Malta.

2. Reporting to the Board

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, Spain (through Portugal), Germany and the UK, as set out in the following table, which states the position at 31st December 2020. The Board oversees oursourced services through its directors.

Advent Insurance PCC Limited Third Party Service Providers under contract at 31st December 2020					
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	David Hill
RSM Malta	AIHL/Core/All Cells	Internal Audit	External	EU: Malta	James Dunbar Cousin
TUI Travel Belgium	Absolut	Sales and Distribution	Internal (to cell)	EU: Belgium	Anne Finn
PATS nv	Absolut	Claims Handling	Internal (to cell)	EU: Belgium	Anne Finn
UIB Holdings UK Ltd	UIB	Distribution, Underwriting Services.	Internal (to cell)	EU:UK	Anne Finn
Freedom Healthnet Ltd	Freedom Health	Distribution, Underwriting services and claims handling	Internal (to cell)	EU:UK/ Germany	David Hill
APS Prevoyance t/a Assurances	Core	Distribution, Underwriting services and claims handling	External	EU: France	Anne Finn
Unlimitedcare-Servicos de Saude e Assistencia, S.A.	Unlimitecare	Distribution and Underwriting services	Internal (to cell)	EU: Portugal & Spain	Anne Finn
Unlimitedcare-Servicos de Saude e Assistencia, S.A	Unlimitedcare	Claims handling services	Internal (to cell)	EU: Portugal & Spain	Anne Finn
Autorama UK Ltd) t/as Vanarama Insurance Services	Autorama	Marketing, Underwriting and Distribution services	Internal (to cell)	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 aunction is outsourced to RSM Malta.

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 2020 comprised 52% of the consolidated undiversified Base solvency capital requirement, of which 19% related to health underwriting risk, and 33% to 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 and motor 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 the PCC 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 relatively high frequency of relatively low value attritional losses of which the majority historically fall within a predictable value range, and are individually capped by policy limits, or by the restricted nature of the risk and cover. The portfolios must be sustainable with good risk spread, medium to high premium volume, and a history of consistent profitability. 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. Underwriting is considered one of the main risk exposures. 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 solvency capital requirements. Portfolios with larger single loss limits, and less frequent losses, are considered more volatile. Concentration and catastrophe risk is measured by the potential for two or more claims from different insureds 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 2020 non-life underwriting risk represented 23% of the group's undiversified base solvency capital requirement. The group underwriting risk profile comprises the underwriting risks of the core.

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 annual actuarial analysis of 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 exposure to pandemics such as Covid-19, which impact global travel. Although the cell's premium income was materially reduced by Covid-19, its loss ratios were only minimally affected, as the cancellation risk covered under the policy was transferred from the policyholder (and therefore the cell) to the tour operator.

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. 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 19 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.

Mitigation: Although the catastrophe risk is considered low, to 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.

Pricing Risk: The cell's underwriting pricing risk is assessed and managed by reference to its 19 years of historic loss experience and ongoing actuarial analysis of 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.

VI. 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 March 2019 and at the 31st December 2020 was approaching the end of its technical run-off period. 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 was further aided by the use of guide prices for surgical and non-surgical treatments.

VII. Autorama Cell Underwriting Risk Profile

Exposure: The cell's underwriting risks relate to Motor Guaranteed Auto Protection ("GAP") insurance, paying the difference between recoveries from motor insurance and vehicle replacement costs, and Business Equipment Insurance. The products are marketed in the UK. Policy limits are low, c. £23,000 per policy, The risk profile is considered to be of low volatility, as a single full loss would have minimal impact on the cell's results. Most losses are much lower.

*Concentration and catastrophe risk:*The cell has very limited concentration risk due to risk spread throughout the UK.

Pricing Risk: The cell's underwriting pricing risk is assessed and managed by reference to pror history and industry statistics. It is closely monitored and amended as deemed necessary.

Reserving Risk: Short-tail claim reporting and payment horizons help in assessing and controlling reserving risk.

Mitigation: No reinsurance was considered necessary due to the low values, low volatility and relative predictability of losses.

VIII. Unlimited Care Cell Underwriting Risk Profile

Exposure: Underwriting risk relates to healthcare insurance products sold to the general public in Portugal. The limits are small, relating to consulting level expenses.

Concentration and catastrophe risk: The cell has very limited concentration risk due to a wide customer base and the nature of the cover. The current pandemic did not have an impact due to government coverage of related costs.

Pricing Risk: The cell's underwriting pricing risk is assessed and managed by reference to pror history and industry statistics. It is closely monitored and amended as deemed necessary.

Reserving Risk: Short-tail claim reporting and payment horizons help in assessing and controlling reserving risk.

Mitigation: The cell did not avail of reinsurance due to the small single exposure risk type and relative predictability of results.

IX. Underwriting Risk Sensitivities for Cells and Core

In its recent ORSA, the PCC tested the sensitivity of the cells' and the core's pricing, reserving, concentration and reinsurance strategy risks to stressed events. Underwriting stress tests included general loss ratio increases for all parts, premium volume decreases, full limit losses for one cell, credit risk and investment downgrade risk. The results indicated that the core, currently operational individual cells, and the consolidated PCC, have or will have sufficient capital to meet their solvency capital requirements under base business projections over the next three years. Stress test results were similarly positive, indicating that in all tested scenarios the SCR cover would remain sufficient. Further, the consolidated capital of the Solo PCC provides sufficient SCR cover for all tested scenarios during the planning period.

2. Market risks

I. PCC Solo Market Risks

Market Risks comprised 24% of the PCC's Solo consolidated pre-diversification base SCR at 31st December 2020. The PCC's assets at 31st December 2020 were a mixture of bank and money market deposits, equities (less than 0.28% of total assets), and group loans (less than 28% of total assets).

II. PCC Group Market Risks

Market risks comprised 69% of the PCC Group's consolidated Base SCR at 31st December 2020. The PCC Group's investment assets at 31st December 2020 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 market concentration risk of the PCC Solo represents 55% of its total pre-diversification market risk. The concentration risk is connected with a parental loan in one cell, and bank deposits in another.

For the PCC Group the market concentration risk exists in the exposure by one cell and the core to group loans.

IV. Interest rate risk

The PCC Solo has negligible exposure to interest rate risk, just 1% of the its total pre-diversification market risk.

The Group has negligible exposure to interest rate risk.

V. Currency risk

At the end of 2020 both the PCC Solo and Group carried currency risk on the US$ financial instruments in the investment portfolio of the PCC core. The PCC Solo also carried currency risk as the working currency of some cells is sterling. The PCC Solo 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 negligible price risk in respect of its investment portfolio, classified as at fair value through profit or loss. The fair value items are equities, together amounting to less than .28% of the PCC's total assets.

3. Credit (Counter-party Default) Risk

I. Exposure by Holding Company, Cells and Core

At 31st December 2020 credit risk in the form of counterparty default risk represented 23% of the PCC's undiversified Solo Basic SCR, and 8% of the PCC Group's Basic SCR.

97% of the Solo credit default SCR was in respect of type 1 exposures: banks, reinsurers or money market instruments. 3% was in respect of type 2 exposures: insurance receivables from intermediaries. 79% the Group's credit default exposure was in respect of type 1 exposures: banks or money market instruments, and 21% was in respect of type 2 exposures: insurance receivables from intermediaries, and other debtors.

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.

v. Intermediaries must be registered with and regulated by their home state supervisory bodies.

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 one year of the 3.

Stress test results for credit risks were positive, indicating that in most scenarios, the SCR cover would remain sufficient. The exception is one cell which would fall to 95% of solvency under the most severe test, in year 3. However, the cell owners are committed to introducing new capital should the need arise. Further, the consolidated capital of the Solo PCC provides sufficient SCR cover for all tested scenarios during the planning period.

The Group'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, Portugal and Spain (via Portuguese agents). 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 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 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. It also includes failure by intermediaries to comply with their home state regulations, particularly conduct rules, This risk is considered material for both core and cells because of the reputational impact of regulatory sanction on the business and on intermediaries.

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 intermediary risks is managed and mitigated by regulator interaction with the intermediaries, monitoring of complaints from customers, monitoring of regulatory and business websites, onsite visits, questionnaires and self declaration of compliance.

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 acts solely as a holding company and 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 i) having a well-defined risk acceptance policy for both core and cells, ii) 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 and contractual arrangements 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 insurance claims than expected is one of the standard stress tests carried out for the core and all cells. Specific stress tests have 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, which may lead 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. To date no UK focussed cell has indicated their intention to cease operations.

For existing UK focused cells, the PCC plans to establish a UK branch and, pending that, is currently in the UK's Temporary Permissions Regime. This arrangement allows it to continue to write UK business on a Freedom of Service basis, for up to three years from 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 2020. The second table is a summary of the assets of the Group combined as at 31st December 2020.

PCC SOLO BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2020			
	Solvency II Value	Statutory Value	Commentary
	€	€	
Financial assets	2,804,806	2,800,034	See I below
Deferred tax asset	372,042	111,956	See II below
Reinsurers' share of technical provisions	138,945	138,513	See III below
Loans & Mortgages	3,445,281	4,485,552	See IV below
Other Receivables	292,694	454,097	See V below
Direct insurance operations receivables	774,916	1,589,627	See VI below
Receivables from Reinsurers	190,747	190,747	See VI below
Deferred acquisition costs	-	998,631	See VII below
Other Assets not otherwise shown	-	898	See VIII below
Cash at bank	27,737,195	27,825,980	See IX below
Total Balance Sheet Assets	35,756,623	38,596,035	

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PCC GROUP BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2020			
	Solvency II Value	Statutory Value	Commentary
	€	€	
Financial assets	-	-	See I below
Deferred tax asset	47,121	8,014	See II below
Reinsurers' share of technical provisions	-	-	See III below
Loans & Mortgages	3,864,346	3,864,346	See IV below
Other Receivables	766,434	766,434	See V below
Direct insurance operations receivables	344,253	500,908	See VI below
Deferred acquisition costs	-	-	See VII below
Other Assets not otherwise shown	-	-	See VIII below
Cash at bank	4,251,242	4,251,242	See IX below
Total Balance Sheet Assets	**9,273,396**	**9,390,944**	

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'

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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, and receivables from Reinsurers** represent amounts due from policyholders and agents, and reinsurers. 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 (31/12/2020) 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.

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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 2020 are set out in the following tables, on both Solvency II and Statutory bases, for PCC Solo and Group:

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PCC Solo Technical Provisions at 31st December 2020 (P17.01.02)							
		SOLVENCY II			STATUTORY		
		GROSS	Recoverable from Reinsurers	NET	GROSS	Recoverable from Reinsurers	NET
		€	€	€	€	€	€
TECHNICAL PROVISIONS - NON-LIFE (EXCLUDING HEALTH)	**Total Best Estimate**	**1,858,587**	-	**1,858,587**	**3,841,402**	-	**3,841,402**
	Fire & Other Damage to Property	47,738	-	47,738	44,163	-	44,163
	Credit & Suretyship	-	-	-	-	-	-
	Miscellaneous Financial Loss	1,667,381	-	1,667,381	3,797,239	-	3,797,239
	Risk Margin	143,468	-	143,468	-	-	-
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	**2,649,223**	**138,945**	**2,510,278**	**2,370,614**	**138,513**	**2,232,101**
	Medical Expense	330,009	138,945	191,064	404,987	138,513	266,474
	Income Protection	2,158,010	-	2,158,010	1,965,627	-	1,965,627
	Risk Margin	161,204	-	160,501			
TOTAL TECHNICAL PROVISIONS	**Totals**	**4,507,810**	**138,945**	**4,368,865**	**6,212,016**	**138,513**	**6,073,503**

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PCC GROUP Technical Provisions at 31st December 2020 (P17.01.02)							
		SOLVENCY 11			STATUTORY		
		GROSS	Recoverable from Reinsurers	NET	GROSS	Recoverable from Reinsurers	NET
		€	€	€	€	€	€
TECHNICAL PROVISIONS - NON-LIFE (EXCLUDING HEALTH)	**Total Best Estimate**	**712,657**	-	**712,657**	**757,577**	-	**757,577**
	Fire & Other Damage to Property	*33,661*	-	*33,661*	*37,879*	-	*37,879*
	Credit & Suretyship				-	-	-
	Miscellaneous Financial Loss	*639,566*	-	*639,566*	*719,698*	-	719,698
			-	-			
	Risk Margin	**39,430**	-	**39,430**			
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	-	-	-	-	-	-
	Medical Expense	-	-	-	-	-	-
	Income Protection	-	-	-	-	-	-
	Risk Margin	-	-	-	-	-	-
TOTAL TECHNICAL PROVISIONS		**712,657**	-	**712,657**	**757,577**	-	**757,577**

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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.

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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 2020, on both Solvency II and IFRS basis, are shown below:

PCC Solo Other Liabilities at 31st December 2020	Solvency II Value €	Statutory Accounts €	Commentary
Deferred Tax Liabilities	173,816	-	See I below
Other Technical Provisions	36,766	32,303	See III below
Trade Payables (Not Reinsurance)	6,055,955	6,100,361	See V below
Total	**6,266,537**	**6,132,665**	

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PCC GROUP Other Liabilities at 31st December 2020	Solvency II €	Statutory €	Commentary
Other Financial Liabilities other than debts owed to credit institutions	1,012,182	1,012,182	See II below
Trade Payables (Not Reinsurance)	267,890	267,890	See V below
Totals	**1,280,072**	**1,280,072**	

I. *Deferred Tax Liabilities:* This item arises on the Solvency II balance sheet in respect of Absolut Cell, for €88,014 and Autorama Cell, for €85,803, 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*: These relate to insurance payables, which is comprised of €32,303 claims payable for UIB Cell and €4,463 for Autorama Cell.

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

V. *Trade payables:* These include overheads, administration fees, and intercompany balances, but mostly consist of taxes payable on profits made up to 31st December 2020. 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.

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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.

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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 2020 are as follows:

PCC Solo Own Funds at 31st December 2020							
Solo Own Fund items	**Tier**	**Solvency II Restricted Own Funds* €**	**%**		**Own Funds Item Statutory/ IFRS**	**IFRS Own Funds €**	**%**
Ordinary and Cellular Share Capital	1	10,371,274	88%		Ordinary and Cellular Share Capital	11,543,618	44%
Reconciliation Reserve	1	-1,344,302	-11%		Retained Earnings	11,481,485	44%
Other Own Funds	1	2,584,301	22%		Other Reserves	3,226,250	12%
Ancillary Own Funds	2		0%				0%
Amount equal to the value of net deferred tax assets	3	198,226	2%				0%
Total		**11,809,499**	**100%**		**Total**	**26,251,353**	**100%**

**Reconciliation reserve reduced by Ring Fenced Funds adjustment of €13,172,773*

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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 2020	
	€
IFRS Own Funds	26,251,353
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	-998,631
Net increase in Technical Provision liabilities - *see J2 above*	748,593
Increase/(Reduction) in net tax liabilities - *see J3 above*	86,270
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	-1,105,313
Ancillary Own Funds - Issued but unpaid share capital	0
Solvency II unrestricted Own Funds	**24,982,272**
*Effect of restriction of Own Funds due to the adjustment in respect of ring fenced funds (RFF);	-13,172,773
Solvency II restricted Own Funds	**11,809,499**

* 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 €13,172,773 is noted under 5.i below, (QRT 23.01.01 (Solo), line R0740).

By comparison PCC Solo Own Funds as at 31st December 2019 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	10,971,274	65%		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 value of net deferred tax assets	3	175,850	1%				0%
Total		**16,963,341**	**100%**		**Total**	**23,046,349**	**100%**

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The 2019 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 2019	
IFRS Own Funds	23,046,349
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	(1,132,628)
Net reduction in Technical Provision liabilities - *see J2 above*	1,001,171
Other Technical Provision liabilities deducted - *see J3 above*	0
Reduction in net tax liabilities - *see J3 above*	23,638
Ancillary Own Funds - Issued but unpaid share capital	0
Solvency II unrestriced 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**

Group Own Funds at 31st December 2020 were as follows:

PCC GROUP Own Funds at 31st December 2020							
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	67%		Ordinary and Cellular Share Capital	4,842,344	66%
Reconciliation Reserve	1	2,391,201	33%		Retained Earnings	2,510,951	34%
Other Own Funds	1	-	0%			-	0%
Ancillary Own Funds	2	-					0%
Amount equal to the value of net deferred tax assets	3	47,121	1%			-	0%
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #		-32,831	0%				0%
Total		**7,247,835**	**100%**		**Total**	**7,353,295**	**100%**

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

The 2020 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 2020	
	€
IFRS Own Funds	7,353,295
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	0
Net increase/(decrease) in Technical Provision liabilities - *see J2 above*	-111,735
Increase/(Reduction) in net tax liabilities - *see J3 above*	39,107
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #	-32,831
Solvency II restricted Own Funds	**7,247,836**

Comparative PCC 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%	Other Own Funds		
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.

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At 31st December 2019, 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 2019	
	€
IFRS Own Funds	5,744,650
Deferred Acquisition Costs (asset) disallowed under SII - *see J1 above*	0
Net reduction (increase) in Technical Provision liabilities - *see J2 above*	282,450
Other Technical Provision liabilities deducted - *see J3 above*	-122,336
Reduction in net tax liabilities - *see J3 above*	-65,210
Solvency II Restricted Own Funds to cover Group Solvency Capital Requirement	**5,848,929**

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 2020, 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 2020. 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

The SCR of the PCC Solo at as 31st December 2020 was €8,086,429, as broken down in the table below. Own funds available to cover the SCR were €24,982,277, restricted to €11,809,499, due to adjustment for restricted own fund items in respect of ring fenced funds (RFF). The ratio of eligible Own Funds to SCR was 146.04%. At 31st December 2019 the SCR of the PCC Solo was €14,192,636. Own funds available to cover the SCR were €21,480,376, restricted to €16,963,341, resulting in a ratio of eligible Own Funds to SCR of 119.52%, in 2019. The reduction in SCR between the two years resulted from repayment of a large group loan which reduced the market risk charge in 2020 and also the reduction in health risk SCR, related to a cell in run-off.

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PCC Solo – Solvency Capital requirement at 31st December 2020, with comparative figures for 2019

PCC Solo – SCR breakdown at 31/12/2020			
	2020 Net Solvency Capital requirement €	**Commentary**	**2019 Net Solvency Capital Requirement €**
Market risk	3,301,762	See I below	14,450,425
Counterparty default risk	3,161,085	See II below	2,237,161
Life underwriting risk – n/a	0		0
Health underwriting risk	2,566,503	See III below	3,162,669
Non-life underwriting risk	4,448,708	See III below	7,830,291
Diversification	-4,412,127		-7,636,061
Intangible asset risk	0		0
Basic Solvency Capital Requirement	**9,065,931**		**20,044,484**
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation	1,758,276		0
Operational risk	422,807		746,340
Loss-absorbing capacity of technical provisions	0		0
Loss-absorbing capacity of deferred taxes	-3,160,585		-6,598,188
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		0
Solvency capital requirement	**8,086,429**	See IV below	**14,192,636**

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II. Solvency Capital Requirement (SCR) – PCC Group

The SCR of the PCC Group at as 31st December 2020 was €2,440,494. Available Own Funds eligible to cover the SCR were €7,247,836 resulting in a Group ratio of eligible Own Funds to SCR of 296.98%. In 2019 the Group's SCR was €2,322,717 covered by eligible Own Funds of €5,848,929, providing a ratio of 251.81% in that year. The material increase in Group Own Funds in 2020 resulted from the reduction in support needed for an insolvent cell, from €1,526,352 in 2019 to €32,831 in 2020.

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

PCC Group – Solvency Capital requirement at 31st December 2020

	PCC Group SCR Breakdoswn at 31/12/2020		**PCC Group SCR Breakdown at 31/12/2019**
	Gross solvency capital requirement after allocation of RFF adjustment €	**Commentary**	**Gross solvency capital requirement after allocation of RFF adjustment €**
Market risk	2,125,028	See I Below	2,211,147
Counterparty default risk	242,486	See II below	488,712
Life underwriting risk	0		
Health underwriting risk			
Non-life underwriting risk	701,461	See III below	777,389
Diversification	-571,047		-736,440
Intangible asset risk	0		
Basic Solvency Capital Requirement	2,497,927		2,740,808
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation			39,019
Operational risk	33,769		39,116
Loss-absorbing capacity of technical provisions			
Loss-absorbing capacity of deferred taxes – see comment at IV below	-91,201		-496,226
Solvency capital requirement	2,440,494	**See IV below**	**2,322,717**

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III. Explanatory notes on the components of Solvency Capital Requirements

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

ii. **Counterparty Risk** - the PCC & Group are exposed to counterparty risks in the form of cash deposits (type 1) and from receivables from reinsurers, intermediaries, policyholders and other debtors (type 2). The increase in Solo counterparty risk in 2020 over 2019 was largely down to higher bank balances due to reduction in group loans. 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 2019 were in line with general business movements and included a significant reduction in Health risk charge for a cell in run-off.

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

IV. Loss Absorbing Capacity of Deferred Taxation (LACDT)

i. PCC Solo LACDT:

a) Maximum permissible LACDT is calculated on a cellular basis att 35% of Base Solvency and Operational Solvency Capital requirement, reduced by deferred tax asset brought forward. However, the LACDT adjustment taken does not exceed 35% of estimated future profits up to 31st December 2023, or 2025 for one cell due to its earnings pattern.

The adjustment taken by core and each cell is set out in the following table

	LACDT adjustment taken	**Full LACDT**	**3 year estimated profits to 31/12/2023 (*2025)**	**Profits at applicable tax rate of 35%**
Core	91,201	520,823	260,575	91,201
Absolut Cell	1,403,199	1,403,199	11,034,350	3,862,023
UIB Cell	1,123,653	1,123,653	3,948,043	1,381,815
UnlimitedCare Cell	32,737	32,737	494,420	173,047
Autorama Cell	509,796	509,796	1,261,039*	441,364*
Consolidated	**3,160,586**	**3,590,208**	**16,988,427**	**5,949,450**

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Profit projections are based on realistic business expectations and loss ratios which are in line with historic data, adjusted where necessary for any change in risk exposure.

b) ***Group LACDT:*** The LACDT adjustment of €91,201 taken for Group equates to the applicable tax rate of 35% applied to the estimated net profits of the PCC Core over the three year period from 1st January 2021 to 31st December 2023.

V. Simplified Calculations

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.

VI. Minimum Capital Requirement (MCR) – PCC Solo

The MCR of the PCC Solo as at 31 December 2020 was €3,700,000. Eligible own funds to meet the MCR were €11,611,273, reduced from €24,782,051 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 313.82%. In 2019 the eligible own funds to meet the €3,700,000 Solo MCR were €16,787,491, reduced from €22,938,530, resulting in a ratio of eligible own funds to MCR of 453.72% in that year. The reduction in eligible Own Funds between 2019 and 2020 is a result of the reduced SCR in 2020 from 2019. This caused a higher adjustment in respect of ring fenced funds (RFF).

The inputs used to calculate the MCR of the PCC Solo are as follows, with comparative figures shown for 2019:

MCR INPUTS - PCC SOLO	Net Best Estimate Technical Provisions (2020) €'000	Net Best Estimate Technical Provisions (2019) €'000	Net Written Premiums in the last 12 months (2020) €'000	Net Written Premiums in the last 12 months (2019) €'000
Medical expense	191	722	211	749
Income protection	2,158	2,126	6,999	6,616
Fire and other damage to property	47	49	72	112
Miscellaneous financial loss	1,667	1,854	5,466	13,439

	2020 €	2019 €
Linear MCR	1,883	2,909
SCR	8,086	14,193
MCR cap	3,638	6,387
MCR floor	2,021	3,548
Combined MCR	2,021	3,548
Absolute floor of the MCR	3,700	3,700

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Minimum Capital Requirement	**3,700**	**3,700**

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

VII. Minimum Consolidated Group SCR – PCC Group

The MCR of the PCC Group as at 31 December 2020 was €3,700,000, unchanged from 2019. The PCC Group's (restricted) Own funds available to meet its MCR were €7,200,715, resulting in a ratio of eligible own funds to MCR of 194.61%, compared with €5,848,929 and an own funds ratio of 158.08% at 31st December 2019. The material increase in Group Own Funds in 2020 resulted from the reduction in support needed for an insolvent cell, from €1,526,352 in 2019 to €32,831 in 2020.

VIII. Any other disclosures

There are no other disclosures.

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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	10,371	10,371			
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	-1,344	-1,344			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	198				198
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	2,584	2,584			
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	11,809	11,611			198
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	11,809	11,611			198
Total available own funds to meet the MCR	R0510	11,611	11,611			
Total eligible own funds to meet the SCR	R0540	11,809	11,611			198
Total eligible own funds to meet the MCR	R0550	11,611	11,611			
SCR	R0580	8,086				
MCR	R0600	3,700				
Ratio of Eligible own funds to SCR	R0620	146.04%				
Ratio of Eligible own funds to MCR	R0640	313.82%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	24,982	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	13,154	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	13,173	
Reconciliation reserve	R0760	-1,344	
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 2020

Annex I

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	372
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**	2,804
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	92
Equities – listed	**R0110**	92
Equities – unlisted	**R0120**	
Bonds	**R0130**	51
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	51
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	39
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	2,622
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	3,445
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	3,445
Reinsurance recoverables from:	**R0270**	139
Non-life and health similar to non-life	**R0280**	139
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	139
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**	775
Reinsurance receivables	**R0370**	191
Receivables (trade, not insurance)	**R0380**	293
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**	27,737
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	35,757

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	4,508
Technical provisions – non-life (excluding health)	**R0520**	1,859

TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	1,715
Risk margin	**R0550**	143
Technical provisions - health (similar to non-life)	**R0560**	2,649
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	2,488
Risk margin	**R0590**	161
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**	174
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	37
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	6,056
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	10,774
Excess of assets over liabilities	**R1000**	24,982

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**	42		2		385	428
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**						
Net Best Estimate of Premium Provisions	**R0150**	42		2		385	428
Claims provisions							
Gross	**R0160**	288	2,158	46		1,283	3,775
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	139					139
Net Best Estimate of Claims Provisions	**R0250**	149	2,158	46		1,283	3,636
Total Best estimate – gross	**R0260**	330	2,158	48		1,667	4,203
Total Best estimate – net	**R0270**	191	2,158	48		1,667	4,064
Risk margin	**R0280**	7	155	4		140	305
Technical provisions – total							
Technical provisions – total	**R0320**	337	2,313	52		1,807	4,508
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	139					139
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	198	2,313	52		1,807	4,369

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	3,942		
Counterparty default risk	R0020	3,774		
Life underwriting risk	R0030			
Health underwriting risk	R0040	3,064		
Non-life underwriting risk	R0050	5,312		
Diversification	R0060	-5,268		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	10,824		

Calculation of Solvency Capital Requirement		
Operational risk	R0130	423
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-3,161
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	8,086
Capital add-on already set	R0210	
Solvency capital requirement	R0220	8,086
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	1,397
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	6,690
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	191	211
Income protection insurance and proportional reinsurance	R0030	2158	7,000
Fire and other damage to property insurance and proportional reinsurance	R0080	48	72
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1667	5,466

Overall MCR calculation

		C0070
Linear MCR	R0300	1,884
SCR	R0310	8,086
MCR cap	R0320	3,639
MCR floor	R0330	2,022
Combined MCR	R0340	2,022
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				
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	2,391				
Subordinated liabilities	R0140					
Non-available subordinated liabilities at Group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	47				
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	33				
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					

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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	33				
Total basic own funds after deductions	R0290	7,248				
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	7,248	7,201			47
Total available own funds to meet the minimum consolidated Group SCR	R0530	7,201				
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	7,248				
Total-eligible own funds to meet the minimum consolidated Group SCR	R0570	7,201				
Minimum consolidated Group SCR	R0610	3,700				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	1.9461				

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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**	7,248				
Group SCR	**R0680**	2,440				
Ratio of Eligible own funds to Group SCR including other financial sectors and the undertakings included via D&A	**R0690**	2.9698				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	**R0700**	7,281				
Own shares (included as assets on the balance sheet)	**R0710**	0				
Forseeable dividends, distributions and charges	**R0720**	0				
Other basic own fund items	**R0730**	4,889				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0				
Other non available own funds	**R0750**	0				
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	2,391				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0	-			
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0	-			
Total EPIFP	**R0790**	0	-			

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

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	47
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**	3,864
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	3,864
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**	

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Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	344
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	766
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**	4,251
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	**9,273**
		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	713
Technical provisions – non-life (excluding health)	**R0520**	713
TP calculated as a whole	**R0530**	713
Best Estimate	**R0540**	673
Risk margin	**R0550**	39
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**	

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Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	1,012
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	268
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	1,993
Excess of assets over liabilities	**R1000**	7,281

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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	2,125		
Counterparty default risk	R0020	242		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	701		
Diversification	R0060	-571		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	2,498		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	34
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-91
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	2,440
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	2,440
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	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
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	

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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**	2,440

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