ADVENT INSURANCE PCC LIMITED

GROUP AND SOLO SOLVENCY AND FINANCIAL CONDITION REPORT

YEAR ENDED 31ST DECEMBER 2021

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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, which is itself a 100% 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

The French loss of rent business in the core went into run-off on 31st December 2020 and continued its run-off during 2021.

5. Activities of the Cells

At 31st December 2021 the PCC had four operational cells open for new business:

- **Absolut 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** provided, under general insurance Classes 1 (Accident) and 2 (Sickness), income protection insurance to customers based in the UK.
- **Unlimited Care Cell** provided, under general insurance Classes 1 (Accident) and 2 (Sickness), private medical Insurance, to customers based in Portugal and in Spain
- **Autorama 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 from 1st March 2019. Technical run-off was completed during 2021.
- **AIF Cell** voluntarily surrendered its license in 2019 and will close during 2022.
- **Finance One Cell** voluntarily surrendered its licence in 2020 and will close during 2022

6. Related Party Transactions

During 2021 the PCC entered into various transactions with parties which are subject to common control. All transactions were conducted within the normal course of business.

7. Performance from underwriting activities – PCC Solo Data

The PCC's underwriting performance in the past two years is summarised in this section 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.

Earned premium rose significantly, increasing by 42% over the 2020 result, as the Belgian travel cancellation and UK finance gap businesses recovered from the impact of Covid-19 on their premium income. The Portuguese medical expenses premium also rose by 46% due to general business growth, and a small amount of new medical expenses business was written in Spain. The UK income protection business saw a marginal 2% increase in premium. On a consolidated basis, these increases offset the loss of the French loss of rent business, which went into run-off from January 2021.

Incurred claims experience improved across all lines, being only 87% of the 2020 amount, compared with 42% increase on earned premium. The only exception was the UK property line, where the rate of claims on earned premium was unchanged from 2020.

Movements in expenses and other technical items were also lower than the movement in earned premium, at a consolidated increase of only 4% over 2020, compared with 42% increase on earned premium. Within that the Portuguese medical expenses and UK property lines saw higher movements in expenses over earned premiums; however, due to size, these had a minimal impact on the total.

PCC SOLO DATA – TECHNICAL RESULT - YEAR ENDED 31ST DECEMBER 2021										
	PROPERTY		MISCELLANEOUS FINANCIAL LOSS			MEDICAL EXPENSES			INCOME PROTECTION	TOTALS
GEOGRAPHICAL AREA	FRANCE	UK	FRANCE	UK	BELGIUM	UK	SPAIN	PORTUGAL	UK	
Premiums Earned	864	10,872	16,421	1,233,496	10,138,615	0	77,724	303,850	7,173,107	18,954,949
Reinsurance Outwards	0	0	0	0	0	24,404	-41,695	0	-19,195	-36,485
Gross Claims Incurred	5,238	-4,892	99,514	-93,361	-2,198,041	-48,808	-31,396	-3,318	-894,514	-3,169,579
Net Operating Expenses	-241	-3,805	-4,580	-633,417	-467,668	-1,628	-9,263	-244,416	-3,819,505	-5,184,523
Other Technical Income	0	0	0	0	0	0	4,410	0	0	4,410
Technical UW Result	**5,861**	**2,175**	**111,355**	**506,718**	**7,472,906**	**-26,032**	**-220**	**56,117**	**2,439,893**	**10,568,772**

PCC SOLO DATA – TECHNICAL RESULT - YEAR ENDED 31ST DECEMBER 2020 (EURO)										
	PROPERTY		MISCELLANEOUS FINANCIAL LOSS			MEDICAL EXPENSES			INCOME PROTECTION	TOTALS
GEOGRAPHICAL AREA	FRANCE	UK	FRANCE	UK	BELGIUM	UK	SPAIN	PORTUGAL	UK	
Premiums Earned	55,872	43,143	1,061,559	940,156	4,120,555	-64,011	0	207,708	7,018,064	13,383,046
Reinsurance Outwards	0	0	0	0	0	252,835	0	0	-18,546	234,289
Gross Claims Incurred	-19,277	-19,414	-366,262	-99,141	-1,295,648	-441,650	0	-2,631	-1,396,752	-3,640,775
Net Operating Expenses	-13,993	-8,174	-265,865	-519,672	-272,895	6,889	0	-133,679	-3,643,137	-4,878,398
Other Technical Income	0	0	0	0	0	-19,792	0	-27,872	-87,541	-107,333
Technical UW Result	**22,602**	**15,555**	**429,432**	**321,344**	**2,552,012**	**-265,729**	0	**43,526**	**1,872,088**	**4,990,829**

8. Performance from underwriting activities – PCC Group Data

The Group's earned premiums in 2021, at €17,285, was a negligible 2% of 2020, consisting only of a small amount of run-off earned premium from the PCC Core's French loss of rent business. However, better than expected performance of the claims run-off resulted in a €117,216 underwriting profit.

PCC GROUP DATA – TECHNICAL RESULT YEAR ENDED 31ST DECEMBER 2021 COMPARED WITH YEAR ENDED 31ST DECEMBER 2020						
	PROPERTY	PROPERTY	MISCELLANEOUS FINANCIAL LOSS			
	2021	2020	2021	2020	2021	2020
GEOGRAPHICAL AREA	FRANCE	FRANCE	FRANCE	FRANCE	TOTALS	TOTALS
Premiums Earned	864	55,872	16,421	1,061,559	17,285	1,117,431
Reinsurance Outwards	0	0	0	0	0	0
Gross Claims Incurred	5,238	-19,277	99,514	-366,262	104,752	-385,539
Net Operating Expenses	-241	-13,993	-4,580	-265,865	-4,821	-279,858
Other Technical Income	0	0	0	0	0	0
Technical UW Result	**5,861**	**22,602**	**111,355**	**429,432**	**117,216**	**452,034**

9. Performance from investment activities

I. PCC Solo Finance and Investment gains

The finance income and investment gains earned by the PCC solo during 2021, compared with 2020, are summarised in this section:

PCC SOLO INVESTMENT INCOME FOR YEAR ENDED 31.12.2021 COMPARED WITH YEAR ENDED 31.12.2020						
Income	Core 2021	Core 2020	All Cells 2021	All Cells 2020	Totals 2021	Totals 2020
Income on Cash at Bank	0	5,666	1,269	3,307	1,269	8,973
Loan interest received	37,200	17,836	82,041	83,550	119,241	101,386
Net gains (losses) on investments	0	0	-19,018	63,933	-19,018	63,933
Net FX gains (losses)	134,862	-217,717	89,380	-126,769	224,242	-344,486
Total	**172,062**	**-194,215**	**153,672**	**24,021**	**325,734**	**-170,194**

II. PCC Group Finance and Investment gains

The finance income and investment gains earned by the PCC group during 2021, compared with 2020, are summarised below:

PCC GROUP INVESTMENT INCOME FOR YEAR ENDED 31.12.2021 COMPARED WITH YEAR ENDED 31.12.2020								
Income	AHL 2021	AHL 2020	Core 2021	Core 2020	Group Cells 2021	Group Cells 2020	Totals 2021	Totals 2020
Income on Cash at Bank	0	0	0	5,666	0	0	0	5,666
Loan interest received	0	0	37,200	17,836	0	0	37,200	17,836
Net gains (losses) on investments	0	0	0	0	0	0	0	0
Net FX gains (losses)	12,815	0	134,862	-217,717	88,751	-117,399	236,428	-335,116
Total	**12,815**	0	**172,062**	**-194,215**	**88,751**	**-117,399**	**273,628**	**-311,614**

For both Solo and Group the main source of investment income was from interest on inter-group loans. Other investment gains during 2021 were mainly due to foreign exchange positive movements. It should be noted that while the Group data includes the closed AIF and Finance One cells, the PCC solo data excludes these.

10. Other Income

The core facility fees rose from €205,942 in 2020, to €226,150 in 2021, due to higher facility fees charged to the other cells during the year.

11. Operating and Other Expenses.

I. PCC Solo Operating and Other Expenses

PCC SOLO OPERATING AND OTHER EXPENSES FOR YEAR ENDED 31.12.2021 COMPARED WITH YEAR ENDED 31.12.2020						
	Core 2021	Core 2020	Cells 2021	Cells 2020	Total 2021	Total 2020
Acquisition costs	4,321	279,357	4,344,543	4,014,414	4,348,864	4,293,771
Profit Commission	0	0	94,265	73,264	94,265	73,264
Claims Handling fees & other technical costs	500	500	736,483	618,195	736,983	618,695
Administration Expenses	465,450	255,144	826,591	-227,450	1,292,041	-27,694
	470,271	**535,001**	**6,001,882**	**4,478,423**	**6,472,153**	**5,013,424**

The acquisition costs and claims handling fees expensed during 2021 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

The changes in acquisition costs and commissions received in 2021 over 2020, as set out in the table in this section, are generally in line with movements in earned premium

PCC GROUP OPERATING AND OTHER EXPENSES

FOR YEAR ENDED 31.12.2021 COMPARED WITH YEAR ENDED 31.12.2020

	AIHL		Core		Group Cells		Totals	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Acquisition costs	-	-	4,321	279,357	-	-	4,321	279,357
Claims Handling fee	-	-	500	500	-	-	500	500
Administration Expenses	103,534	11,640	465,450	255,144	16,773	29,139	585,757	295,923
Totals	**103,534**	**11,640**	**470,271**	**535,001**	**16,773**	**29,139**	**590,578**	**575,780**

12. Covid-19 Impact Statement

Beginning in late 2019 and continuing into 2021 and 2022 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. While the economic fall-out resulting from these restrictions affected the Company's business during 2020, business was closer to normal levels during 2021. In particular, the written premium of one cell, which sells travel cancellation insurance, had, during 2020, fallen to 30% of 2019 levels. In 2021 its written premium rose again to 96% of 2019 levels. Another cell with connections to motor trade risks saw a downturn in its 2020 written premium, to 72% of 2019 levels, due to a fall in new vehicles sales believed to be connected with the pandemic. However, during 2021 its gross written premium rose again to 154% of 2019 levels. The pandemic had minimal net 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.

13. Ukraine Conflict Impact Statement

The geopolitical situation in Eastern Europe intensified in late February 2022, with the commencement of Russia's military action against Ukraine. Political events and sanctions are continually changing and differ across the globe. There is currently no indication that there will be a significant impact on the company's financial performance, financial position and cash flows. The situation continues to be closely monitored by management to ensure that the interests of all its stakeholders are safeguarded.

C. SYSTEM OF GOVERNANCE

1. General Governance System

I. The Board of Directors of the AIHL

At 31st December, 2021 the Board of Directors of the group holding company, AIHL, consisted of Christian Farrugia, David Hill and Anne Finn, as James Dunbar Cousin retired during 2021. All of these individuals are also directors of the PCC. As the PCC is the main operational arm of the Group the references in this section to the 'Board' are largely to the Board of Directors of the PCC.

II. The Board of Directors of the PCC

The PCC is managed by an active Board of Directors. At 31st December 2021 the Board had three directors, two of whom were resident in Malta. The Board members were: David Hill (UK), Christian Farrugia (Malta), Anne Finn (Malta). Mr. James Dunbar Cousin retired during 2021. The Board members collectively have qualifications and expertise in Accounting, Insurance Underwriting, Risk Management, Compliance, and Law. Following the retirement of Mr. Dunbar Cousin the PCC plans to supplement the Board with additional members during 2022. The Board is responsible for the strategic management of the PCC. It oversees all PCC operations, and appoints and supervises managers and key function holders. All material decisions relating to or made by the cells are subject to the approval of the Board. The Board meets at least once every quarter, and more frequently when required.

III. Underwriting Committee

The Board is supported by an Underwriting Committee, which is a sub-committee of the Board. At 31st December 2021 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 to the 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 (the Managers or Artex), 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. The function holder position is currently vacant and the function is being supported through the co-operation of the Board, the executive directors and the Managers.
iv. An Internal Audit Function. The Internal Auditor is completely independent of the day to day operations of the PCC.
v. An Actuarial Function. With effect from February 2022 the function has been outsourced to BWCI. Prior to that it had been outsourced to Artex who provided the services 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. The cell committees have met more frequently over the past two years to ensure adequate monitoring of the Covid situation.

VIII. Adequacy of the System of Governance

During 2021 the Board hired an external consultant to review its System of Governance to ensure it is and remains adequate and appropriate for the PCC, taking into account the nature, scale and complexity of its business. The Company is working through some proposed enhancements to the System of Governance arising from that exercise.

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. The process includes an annual Board self-evaluation exercise.

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.

2. Corporate Policies

To guide the System of Governance the Board has implemented the following policies. All policies are currently being reviewed and updated, an exercise that will take place annually.

Appropriateness of Regulatory Information Policy	Fitness and Probity Policy
Asset & Liability Management Policy	Gift Acceptance Policy
Business Continuity Policy	Internal Audit Policy
Capital Management Policy	Investment Policy
Code of Conduct Policy	ORSA Policy
Complaints management & handling Policy	Outsourcing Policy
Compliance & Internal Control Policy	Partner Management Policy
Conflicts of Interest Policy	Prevention of Money Laundering Policy
Corporate Governance Policy	Product Oversight and Governance Policy
Data Quality Policy	Remuneration Policy
Dividend Policy	Risk Management Policy
Document Retention & Destruction Policy	Whistle Blowing Policy

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. 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

3. 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 of counterparties, 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

4. 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 quarterly, reporting of cash, investments and liquidity positions, aged debtors' status, including those of the individual cells, takes place.

iii. 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.

iv. 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 has reviewed its Risk Management system as part of its recent Corporate Governance review and is working on enhancements to it. Risk mitigation is discussed 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. During the ORSA process the Board evaluates the strength and quality of the systems of governance and risk management to ensure these are and remain fit for purpose and provide the Board and Managers with the information needed to properly assess the PCC's solvency requirements.

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. Currently the Risk Management function is not vested in a separate function holder, but this is being addressed. The Board supervises cell and operational management activities, including outsourced functions, through regular meetings and interaction between its executive directors, 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, management and regulatory 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 one 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. These are supplemented by periodic 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

Pending replacement of retired directors the Board collectively oversees the PCC's Audit Function, including internal audit, pending the planned supplementation of the Board. The Internal and external Auditors report 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 Managers as appropriate.

H. ACTUARIAL FUNCTION

1. Implementation and Objectivity

Up to February 2022 the Actuarial Function was outsourced to the Managers who perform the underlying tasks and calculations, and who in turn outsourced the oversight aspects of the function to a qualified actuary In February 2022 the PCC directly appointed BWCI as the outsourced Actuarial Function Holder. 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 2021. The Board oversees oursourced services through its directors.

Advent Insurance PCC Limited Third Party Service Providers under contract at 31st December 2021					
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	Anne Finn
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, Underwriting and 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 Managers.

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 2021 comprised 54% of the consolidated undiversified Base solvency capital requirement, of which 12% related to health underwriting risk, and 42% 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 guaranteed asset protection (GAP) 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 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 monetary 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, although mitigated by the factors discussed in the preceding paragraph. 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 underwriting 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 2021 non-life underwriting risk represented 5% 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: Up to the end of 2020 the PCC core sold rental default insurance to landlords of mostly residential property in France. The business has now completed its first year of run-off. All possible claims have been incurred and it is assumed that most have been reported. The key remaining risk is therefore the reserving risk: that the reserves held to pay all remaining claims in the portfolio will be insufficient for that purpose.

Mitigation: The reserving risk is mitigated by the existence of detailed historic data for the portfolio, and its low volatility. To provide assurance to the Board, annual reserving reviews are carried out on the portfolio by an external actuarial firm.

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. The cell also writes pilot loss of licence cover for the cell shareholder group, the premium and exposure of which is minimal when set in the context of the main portfolio. For that reason it is not discussed further in this report.

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 20 years' claim data. A typical large claim within the normal range is materially lower than the maximum single exposure. The risk profile is one of moderately low volatility, as a small number of maximum limit losses would be 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 and war 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 and war 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 20 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 mitigate the reserving risk, that reserves held will be insufficient to meet ultimate losses. Regular reserve reviews by an external actuarial service also provide assurances on reserving adequacy.

VI. Freedom Health Cell Underwriting risk profile

The Freedom Health Cell has reached the end iof its technical run-off and no longer has live underwriting risks. The cell is expected to close during 2022.

VII. Autorama Cell Underwriting Risk Profile

Exposure: The cell's underwriting risks relate to Motor guaranteed asset protection ("GAP") insurance, paying the difference between recoveries from motor insurance and vehicle replacement costs. The cell also writes property insurance for related business equipment in transit. The products are marketed in the UK. Individual policy limits are low. 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 single losses are materially lower than the maximum exposure.

*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 and Spain. The Portuguese limits are small, relating to consulting level expenses. The Spanish risks cover surgical and medical procedural expenses but the exposures are also relatively low because of the definition of procedures in the insurance contracts.

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 purchased reinsurance for its Spanish risks, of 90% quota share placed with Swiss Re Spain. Because of the nature of the Portuguese business, very small single limits, no reinsurance was purchased for that portfolio.

IX. Underwriting Risk Sensitivities for Cells and Core

In its annual Own Risk and Solvency Assessments (ORSA) the PCC tests the sensitivity of the cells' and the core's pricing, reserving, concentration and reinsurance strategy risks to stressed events. Underwriting stress tests envisage loss ratio increases, either from full limit losses or a general rise in claims experience, and/or premium decreases. Projections indicate that the core, currently operational individual cells, and the consolidated PCC, will have sufficient capital to meet their solvency capital requirements (SCR) under base business projections over the next three years. Stress test results were similarly positive, indicating that in 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 32% of the PCC's Solo consolidated pre-diversification base SCR at 31st December 2021. At the end of 2021 19% of the PCC's assets related to group loans. 71% were bank deposits. 1% was held in equities, 8% in certificates of deposit with the remainder in investment grade bonds and collective investment schemes.

II. PCC Group Market Risks

Market risks comprised c. 87% of the PCC Group's consolidated Base SCR at 31st December 2021. The PCC Group's investment assets at 31st December 2021 were a mixture of bank and money market deposits, and parental loans.

III. Market Concentration Risk

The market concentration risk of the PCC Solo represents 62% of its total pre-diversification market risk. The concentration risk is connected with parental loans and bank deposits.

For the PCC Group the market concentration risk exists in the exposure by one cell and the core to group loans, and represents c. 66% of the Group's total pre-diversification market risk.

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 2021 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. It represents 29% of the PCC Solo's pre-diversification market risk and c. 34% of the Group's. The PCC Solo and Group manage currency risk by regularly monitoring the relevant exchange rates, by matching the currency of assets to the denomination of liabilities and by reacting to material movements thereof.

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 3% of the PCC's total assets.

3. Credit (Counter-party Default) Risk

I. Exposure by Holding Company, Cells and Core

At 31st December 2021 credit risk in the form of counterparty default risk represented 14% of the PCC's undiversified Solo Basic SCR, and 8% of the PCC Group's Basic SCR.

c. 80% of the Solo credit default SCR was in respect of type 1 exposures: banks, reinsurers or money market instruments, the balance being in respect of type 2 exposures: insurance receivables from intermediaries. 100% the Group's credit default exposure was in respect of type 1 exposures: banks or money market instruments.

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 market and 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 moderate 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

The PCC tests for exposure to market and credit risk, for example by measuring the impact of a downgrade in its investment and banking counterparties. Stress test results were positive, indicating that the own funds cover for its Solvency Capital Requirement (SCR) would remain sufficient. 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 including compliance 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.

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.

Risk mitigations: 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.

Key personnel risk: This exists at outsourced operations, in poor recruitment practices, failure to develop, train, manage and retain personnel, leading to operational and service problems. The recruitment and training practices of outsourced agents are the subject of questionnaires and self certifications, and onsite visit discussions.

This risk also exists at the PCC's Board and executive level, due to a very small executive team. The risk is mitigated by the engagement of experienced professional directors and managers, and the support of both the Advent Group's international and of the wider Artex networks.

II. 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 risk is managed and mitigated by regular 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, the solvency II assessed capital required by each cell appropriate to its own risk profile, 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. Outcome scenarios

The risks arising from external factors are 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 or investment returns. This envisages scenarios where higher claim levels arise from economic deterioration, including moral hazard risk, where direct claims arise out of extraordinary events such as Covid-19, or where investment income is impacted by these events.
c) a combination of a) and b)

II. Economic Deterioration

Economic recession and depression could arise from cyclical or unforeseen forces, or the impact of global pandemics such as Covid-19, climate change, war risks and other external risks discussed below. The PCC could be suffer a deterioration in premium income and/or a rise in the rate of claims including from moral hazard (c above).

III. Climate Change

Climate Change has the potential to materially impact the business environment in which we all operate. The travel cancellation portfolio could face longer term impact if travel becomes socially unacceptable for example (a above), or the motor gap business could be impacted if there was a material shift away from private car usage (a above), or if its claims rate was impacted by flooding or other environmental events (b above). However, generally speaking, our standard stress tests of increased claims and reduced income apply. The impact of climate change on investment, market and credit risk arising from exposure to industries more directly impacted is also envisaged in standard scenario testing asset value reductions, or lower credit ratings. Otherwise, we do not believe the risk is reasonably quantifiable at this point for the PCC, and it has not been specifically stress-tested.

IV. Cyber Risk

Cyber risk is part of outsourcing risk, as the intermediaries hold the data. Advent does not systematically receive, process or hold direct customer or other data, except incidental data received indirectly as part of management information. The cyber security of agents is investigated as part of onboarding; it is also investigated via the Insurance Distribution Directive questionnaire required to be completed by all agents. All agents use systems back-ups and access controls. Cyber security incidents could lead to fines and reputational damage and lost income generally (a above). Cyber risk is now receiving more focussed attention, and specialised onsite audits are planned to provide further assurances. The risk has not been specifically stress-tested.

V. Brexit or similar events

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 (a above). 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. A marketing focus on European risks is expected to lead to more business opportunities from that territory to mitigate the loss of UK business.

VI. Pandemics

The impact of Covid is discussed elsewhere in the report. Each situation would be considered in its specific context, but lessons learned from Covid include the need for careful ongoing monitoring of the situation, a good business continuity plan, regular communications and updates, robust remote communication mechanisms, preservation of resources, and management rapid response. Indeed, the experience of the PCC has been that its constituent parts responded well to, and withstood, the challenges of Covid-19. However, should another pandemic arise in the short to medium term, the economic and other fallout could impact the business more directly by increased claims, for example in the medical expenses or the personal accident and sickness portfolio (b above), in addition to a repetition of the loss of premium income to the travel cancellation and motor gap portfolios (a above). These impacts are envisaged within the standard tests on increased claims experience and reduced income.

VII. War Risks

The economic and other fall out from war risks could impact all parts of the PCC if the recent Russia Ukraine situation continues or deteriorates. Although war is a standard exclusion on policies, there could be a direct impact on, for example, the premium income of the travel business, and supply chain risks which could impact the motor gap business. (a above). This risk is envisaged within the standard stress tests.

VIII. Inflation, including social inflation risk

Governmental responses to the pandemic, which increased the money supply, and supply chain related consequences have contribute to rising prices, which may have an impact on future claims costs, whereas compensating premium increases could lag behind. The result could be a negative net impact on the PCC. Its impact is envisaged in the standard stress tests on increased rates of claims (b above).

IX. Risk sensitivity

The risks of lower premium income and higher insurance claims than expected are among the standard stress tests carried out for the core and all cells. Results indicate that the core, cells, and the consolidated PCC, would continue to meet their capital requirements under stressed scenarios.

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 2021. The second table is a summary of the assets of the Group combined as at 31st December 2021.

PCC SOLO BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2021			
	Solvency II Value €	Statutory Value €	Commentary
Financial assets	3,385,827	3,383,358	See I below
Deferred tax asset	161,534	90,241	See II below
Reinsurers' share of technical provisions	2,694	7,506	See III below
Loans & Mortgages	6,885,972	7,962,625	See IV below
Other Receivables	366,741	553,333	See V below
Reinsurance receivables	375,788	375,789	See VI below
Direct insurance operations receivables	638,743	1,833,587	See VI below
Deferred acquisition costs	0	1,305,642	See VII below
Other Assets not otherwise shown	0	4,289	See VIII below
Intangible assets	0	34,555	See IX below
Cash at bank	25,576,948	25,635,518	See X below
Total Balance Sheet Assets	**37,394,247**	**41,186,443**	

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PCC GROUP BALANCE SHEET ASSETS – STATUTORY COMPARED WITH SOLVENCY II – AT 31ST DECEMBER 2021	Solvency II Value €	Statutory Value €	Commentary
Financial assets	**0**	0	See I below
Deferred tax asset	285,114	285,114	See II below
Reinsurers' share of technical provisions	0	0	See III below
Loans & Mortgages	3,314,167	3,314,167	See IV below
Other Receivables	743,533	743,533	See V below
Direct insurance operations receivables	75,000	292,529	See VI below
Deferred acquisition costs	**0**	0	See VII below
Other Assets not otherwise shown	**0**	0	See VIII below
Cash at bank	4,221,954	4,221,954	See IX below
Total Balance Sheet Assets	**8,639,768**	**8,857,297**	**See X below**

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, equities 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. A deferred tax asset in the Solvency II Balance sheet arises upon consolidation due to future tax refunds receivable by

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Advent International Holdings Limited from profits distributed by the Core /and from valuation differences between the IFRS Balance sheet and the Solvency II Balance sheet.

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

IV. **Loans and mortgages** are carried at amortised cost using the effective interest method, less any provision for impairment. The fair value of loans and receivables are deemed to be a Level 2 measurement. Loans are group loans to cell or core shareholders or other companies of the core or cell's own group. Due to the short-term nature of these instruments, the fair value approximates the amortised cost hence there were no material differences in valuation between IFRS and SII bases. However, the reason behind the difference in the values recorded between IFRS and SII bases, is due to the explanation as provided in Note XI below..

V. **Other receivables** represent other receivables from related parties. The difference in the valuation between IFRS and SII bases, is because of the reclassification of the accrued interest on the loans receivable under Solvency II, whereby these have been recognised as part of the loans and mortgages.

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 (31/12/2021) 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.

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

IX. **Intangible assets** under the statutory values represents the development costs incurred in relation to a new software. The value has been removed for the Solvency II Balance Sheet as the asset cannot be sold separately and the company could not assign a market price as quoted in an active market for same or similar assets.

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

XI. **Two cells not included in Solvency II Solo assets.** The Statutory assets for the PCC Solo include the assets of two cells which have surrended their insurance licences. Their assets are not included in the Solvency II assets. However, their assets are included in both the Group Statutory and Solvency II assets.

2. Technical Provisions

The Solvency II technical provisions comprise the best estimate of liabilities and risk margin according to articles 75 to 86 of the Solvency II Directive. The best estimate liability reflects a realistic estimate of future claims attributable to bound insurance contracts and contracts close to being bound, regardless of whether the contracts cover expired or unexpired periods. The estimates are based on past experience with adjustments for expected deviations in the future.

The PCC's statutory accounts include provisions for all unpaid claims notified by Insureds (claims outstanding). 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 2021 are set out in the following tables, on both Solvency II and Statutory bases, for PCC Solo and Group:

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From PCC PCC Solo Technical Provisions at 31st December 2021 (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**	**1,997,545**	**-**	**1,997,545**	**5,004,485**	**-**	**5,004,485**
	Fire & Other Damage to Property	*21,285*	-	*21,285*	*34,505*	-	*34,505*
	Miscellaneous Financial Loss	*1,770,362*	-	*1,770,362*	*4,969,981*	-	*4,969,981*
	Risk Margin	**205,898**	-	**205,898**	-	-	-
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	**1,919,842**	**-2,694**	**1,917,148**	**1,942,766**	**7,506**	**1,935,260**
	Medical Expense	11,120	-2,694	8,426	*192,932*	*7,506*	*185,426*
	Income Protection	1,748,347	-	1,748,347	*1,749,834*	-	*1,749,834*
	Risk Margin	**160,375**	-	**160,375**	-	-	-
TOTAL TECHNICAL PROVISIONS		**3,917,386**	**-2,694**	**3,914,692**	**6,947,251**	**7,506**	**6,939,745**

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PCC GROUP Technical Provisions at 31st December 2021 (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**	**185,375**	-	**185,375**	**377,900**	-	**377,900**
	Fire & Other Damage to Property	*8,587*	-	*8,587*	*18,895*	-	*18,895*
	Miscellaneous Financial Loss	*163,150*	-	*163,150*	*359,005*	-	*359,005*
	Risk Margin	**13,638**	-	**13,638**	-	-	-
TECHNICAL PROVISIONS (HEALTH - SIMILAR TO NON-LIFE)	**Total Best Estimate**	-	-	-	-	-	-
	Medical Expense	-	-	-	-	-	-
	Income Protection	-	-	-	-	-	-
	Risk Margin	-	-	-	-	-	-
TOTAL TECHNICAL PROVISIONS		185,375	-	185,375	377,900	-	377,900

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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 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

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, with reference to historic data where available, by 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 for under-reporting of the quantum of known loss events.
iv. Estimation of claims arising in future periods ("unexpired risks"): This is uncertain as the losses have not yet been incurred.
v. Market environment changes: These increase the inherent uncertainty affecting the business, in particular, claims inflation.

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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 which is assumed would be 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. Specialist 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 2021, on both Solvency II and IFRS basis, are shown below:

PCC Solo Other Liabilities at 31st December 2021			
	Solvency II Value €	Statutory Accounts €	Commentary
Deferred Tax Liabilities	294,104	-	See I below
Other Financial Liabilities other than debts owed to credit institutions	-	28,135	See II below
Other Technical Provisions	66,595	65,504	See III below
Reinsurance Payables	25,684	30,504	See IV below
Trade Payables (Not Reinsurance)	6,788,949	6,795,835	See V below
Other Liabilities	23,802	23,802	See VI below
Total	**7,199,134**	**6,943,780**	

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PCC Group Other Liabilities at 31st December 2021			
	Solvency II Value €	**Statutory Accounts €**	**Commentary**
Deferred Tax Liabilities	-	-	
Other Financial Liabilities other than debts owed to credit institutions	542,743	542,743	See II below
Other Technical Provisions	25,828	25,828	See III below
Trade Payables (Not Reinsurance)	294,985	294,985	See V below
Total	**863,556**	**863,556**	

I. *Deferred Tax Liabilities:* This item arises on the Solvency II balance sheet in respect of two cells, 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 loans provided from group companies. Valuation is the same under both bases.

III. *Other Technical Provisions*: These relate to insurance payables, including reinsurance balances and claims imminently due for payment.

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 2021. Valuation is the same under both bases for PCC Solo.

VI. *Other Liabilities:* This relates to a claims litigation provision in relation to one cell. Valuation is the same under both bases.

4. Alternative methods for valuation

The Company does not utilise any alternative methods of valuation.

5. 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 2021 are as follows:

PCC Solo Own Funds at 31st December 2021							
Solo Own Fund items	Tier	Solvency II Restricted Own Funds* €	%		Own Funds Item Statutory/ IFRS	Statutory/ IFRS Own Funds €	%
Ordinary and Cellular Share Capital	1	10,371,274	67%		Ordinary and Cellular Share Capital	11,543,618	42%
Reconciliation Reserve	1	2,569,063	16%		Retained Earnings	12,099,660	44%
Other Own Funds	1	2,584,301	17%		Other Reserves	3,652,134	14%
Ancillary Own Funds	2		0%				0%
Amount equal to the value of net deferred tax assets	3	0	0%				0%
Total		**15,524,637**	**100%**		**Total**	**27,295,412**	**100%**

**Solvency II reconciliation reserve reduced by Ring Fenced Funds adjustment of €10,753,088*

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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 2021	
	€
IFRS Own Funds	27,295,412
Deferred Acquisition Costs (asset) disallowed under SII - *see K1 above*	- 1,305,642
Net increase/(decrease) in Technical Provision liabilities - *see K2 above*	3,025,053
Other Technical Provision liabilities - *see K3 above*	-1,336,992
Increase/(Reduction) in net tax liabilities - *see K3 above*	-222,812
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #	-1,177,292
Solvency II unrestricted Own Funds	**26,277,727**
*Effect of restriction of Own Funds due to the adjustment in respect of ring fenced funds (RFF);	- 10,753,089
Solvency II restricted Own Funds	**15,524,638**

* 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 €10,753,089 is noted under 5.i below, (QRT 23.01.01 (Solo), line R0740).

This relates to the assets of two cells which are no longer considered as licensed entities and have been subsequently liquidated in 2022.

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By comparison PCC Solo Own Funds as at 31st December 2020 were 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*

The 2020 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 2020	
	€
IFRS Own Funds	26,251,353
Deferred Acquisition Costs (asset) disallowed under SII - *see K1 above*	-998,631
Net increase in Technical Provision liabilities - *see K2 above*	748,593
Increase/(Reduction) in net tax liabilities - *see K3 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**

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Group Own Funds at 31st December 2021 were made up as follows:

PCC GROUP Own Funds at 31st December 2021						
Group Own Fund items	**Tier**	**Solvency II Restricted Own Funds***	**%**	**Group Own Funds Item Statutory/IFRS**	**IFRS Own Funds**	**%**
Ordinary and Cellular Share Capital	1	4,842,344	70%	Ordinary and Cellular Share Capital	4,842,344	64%
Reconciliation Reserve	1	2,463,379	35%	Retained Earnings	2,773,497	36%
Other Own Funds	1	-	0%	Other Own Funds	-	0%
Ancillary Own Funds	2	-	0%			0%
Amount equal to the value of net deferred tax assets	3	285,114	0%		-	0%
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #		- 358,937	-5%			0%
Total		**7,231,900**	**100%**	**Total**	**7,615,841**	**100%**

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

The 2021 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 2021	
	€
IFRS Own Funds	7,615,841
Deferred Acquisition Costs (asset) disallowed under SII - *see K1 above*	0
Net increase/(decrease) in Technical Provision liabilities - *see K2 above*	-25,004
Increase/(Reduction) in net tax liabilities - *see K3 above*	0
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities #	-358,937
Solvency II restricted Own Funds	**7,231,900**

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Comparative PCC 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%**

At 31st December 2020, 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 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**

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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 2021, 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 2021. 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 2021 was €11,763,898 as broken down in the table below. Own funds available to cover the SCR were €26,277,726, restricted to €15,524,638 due to adjustment for restricted own fund items in respect of ring fenced funds (RFF). The ratio of eligible Own Funds to SCR was 131.97%. At 31st December 2020 the SCR of the PCC Solo was €8,086,429. Own funds available to cover the SCR were €24,982,277, restricted to €11,809,499, resulting in a ratio of eligible Own Funds to SCR of 146.04%, in 2020 The increase in SCR in 2021 resulted from a higher market risk charge due to higher group loans, and higher non-life underwriting charge due to greater premium and claims activity during 2021, compared with 2020.

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PCC Solo – Solvency Capital requirement at 31st December 2021, with comparative figures for 2020

PCC Solo – SCR breakdown at 31/12/2021			
	2021 Net Solvency Capital requirement €	**Commentary**	**2020 Net Solvency Capital Requirement €**
Market risk	6,384,148	See I below	3,301,762
Counterparty default risk	2,720,746	See II below	3,161,085
Life underwriting risk – n/a	0		0
Health underwriting risk	2,421,777	See III below	2,566,503
Non-life underwriting risk	8,511,299	See III below	4,448,708
Diversification	-6,020,030		-4,412,127
Intangible asset risk	0		0
Basic Solvency Capital Requirement	**14,017,940**		**9,065,931**
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation	2,133,257		1,758,276
Operational risk	735,002		422,807
Loss-absorbing capacity of technical provisions	0		0
Loss-absorbing capacity of deferred taxes	-5,122,301		-3,160,585
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		0
Solvency capital requirement	**11,763,898**	See IV below	**8,086,429**

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II. Solvency Capital Requirement (SCR) – PCC Group

The SCR of the PCC Group at as 31st December 2021 was €1,958,962. Available Own Funds eligible to cover the SCR were €7,231,900 resulting in a Group ratio of eligible Own Funds to SCR of 369.17%. In 2020 the Group's SCR was €2,440,494 covered by eligible Own Funds of €7,247,836, providing a ratio of 296.98% in that year. The reduction in SCR in 2021 was mainly due to the reduction in non-life underwriting risk, as the exposure to the core loss of rent portfolio decreased.

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

PCC Group – Solvency Capital requirement at 31st December 2021

	PCC Group SCR Breakdoswn at 31/12/2021		PCC Group SCR Breakdown at 31/12/2020
	Gross solvency capital requirement after allocation of RFF adjustment €	**Commentary**	**Gross solvency capital requirement after allocation of RFF adjustment €**
Market risk	1,868,762	See I Below	2,125,028
Counterparty default risk	179,719	See II below	242,486
Life underwriting risk			0
Health underwriting risk			
Non-life underwriting risk	102,632	See III below	701,461
Diversification	-197,304		-571,047
Intangible asset risk			0
Basic Solvency Capital Requirement	1,953,810		2,497,927
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation			
Operational risk	5,152		33,769
Loss-absorbing capacity of technical provisions			
Loss-absorbing capacity of deferred taxes – see comment at IV below	0		-91,201
Solvency capital requirement	**1,958,962**	**See IV below**	**2,440,494**

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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. Market risk decreased in 2021 over 2020 mainly due to lower group loans.

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

iii. **Health & Non-life Underwriting Risks** - the PCC & Group are exposed to non-life underwriting risk 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 the non-life risk the capital charge increased as premium income, and insurance risk accepted, picked up again after the impact of Covid in 2020.

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)

The Loss absorbing capacity of deferred tax ("LACDT") is considered as a risk mitigating element in the calculation of the Solvency Capital Requirement ("SCR") for Advent Insurance PCC Limited. In fact, Solvency II allows for a reduction in the amount of the required capital through the adjustment for LACDT since a future loss in profits resulting from a 1-in-200 year event may also result in a reduction in associated tax liabilities, thus reducing the impact on the company's own funds and reducing capital requirements.

The LACDT of Advent Insurance PCC Limited is determined separately for each cell, by taking the LACDT, that is equal to the 35% applicable tax rate of the sum of the BSCR and Operational Risk. For all cells except Absolut Cell, UIB Cell and Autorama Cell, the LACDT is capped at the Deferred Tax Liability level arising on the pre-stress solvency II balance sheet. In this case, it is not necessary to perform a recoverability test because should an instantaneous loss equal to the SCR arise, the LACDT would be fully set-off against the pre-stress deferred tax liability ("DTL"). For Absolut Cell, UIB Cell and Autorama Cell, a recoverability test is carried out to justify that the estimated future taxable profit and the reversion of deferred tax liabilities ("DTL") will be sufficient to cover the LACDT.

The finance function is responsible for selecting and assessing the methods and assumptions used to demonstrate the amount and recoverability of the LACDT. On an annual basis, the actuarial function and the risk management function are jointly responsible to assess and validate the underlying assumptions used for the projection of Advent's future taxable profits for the purposes of Articles 15 and 207 of the Commission Delegated Regulation (EU) 2015/35, including an explanation of any concerns about those assumptions. The outcome of the assessment is then reported to the Board.

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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.

i. PCC Solo LACDT:

Maximum permissible LACDT is calculated on a cellular basis at 35% of Base Solvency and Operational Solvency Capital requirement, reduced by deferred tax asset brought forward. However, the LACDT adjustment taken must not exceed 35% of estimated future profits up to 31st December 2024.

The LACDT adjustment taken into account in the calculation of the solvency capital requirement at 31st December 2021 is set out below:

	LACDT adjustment taken	Full LACDT
Absolut Cell	3,139,676	3,139,676
UIB Cell	1,333,786	1,333,786
Autorama Cell	648,839	648,839
Consolidated	**5,122,301**	**5,122,301**

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.

ii. PCC Group LACDT:

No LACDT adjustment was taken for the group

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 2021 was €3,700,000. Eligible own funds to meet the MCR were €15,524,638, reduced from €26,277,726 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 419.58%. In 2020 the eligible own funds to meet the €3,700,000 Solo MCR were €11,611,273 resulting in a ratio of eligible own funds to MCR of 313.82% in that year. The increase in eligible Own Funds between 2020 and 2021 was mainly as a result of the increase in SCR in the same period which had the effect of reducing the ring fenced funds capping effect.

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The inputs used to calculate the MCR of the PCC Solo are as follows, with comparative figures shown for 2020

MCR INPUTS - PCC SOLO	Net Best Estimate Technical Provisions (2021) €'000	Net Best Estimate Technical Provisions (2020) €'000	Net Written Premiums in the last 12 months (2021) €'000	Net Written Premiums in the last 12 months (2020) €'000
Medical expense	8	191	368	211
Income protection	1,748	2,158	7,154	6,999
Fire and other damage to property	21	47	15	72
Miscellaneous financial loss	1,770	1,667	12,159	5,466

	2021 €	2020 €
Linear MCR	2,671	1,883
SCR	11,763	8,086
MCR cap	5,294	3,638
MCR floor	2,941	2,021
Combined MCR	2,941	2,021
Absolute floor of the MCR	3,700	3,700
Minimum Capital Requirement	**3,700**	**3,700**

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

VII. Minimum Consolidated Group SCR – PCC Group

The MCR of the PCC Group as at 31 December 2021 was €3,700,000, unchanged from 2020. The PCC Group's own funds available to meet its MCR were €6,946,786, resulting in a ratio of eligible own funds to MCR of 187.75%, compared with €7,200,715 and an own funds ratio of 194.61% at 31st December 2020.

VIII. Use of Duration Based Equity Risk Sub Model in calculation of the SCR

The Company did not use duration based equity risk sub model in the calculation of the SCR.

IX. Differences between the Standard Model & Any Internal Model

The Company utilises the SII Standard Formula to calculate the regulatory capital requirement.

X. Non-Compliance with MCR and SCR

There were no incidences of non-compliance with the MCR and SCR.

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XI. Any Other Information

The COVID-19 pandemic is not expected to have a significant impact on the Company's SCR and available and eligible own funds in 2022. It is expected that future premium will continue increasing at a steady rate in the 2022 and claims are not anticipated to be materially affected. Market risk is also not expecting to materially fluctuate; however, this risk is linked to the intragroup loans to Sonae Group Companies.

The conflict between Russia and Ukraine that has developed in Europe in the last couple of weeks, in February 2022, will also have an impact on the global economy which is still recovering from COVID-19 at least in the short-term. Even though Highdome does not operate in any of these countries, there is a significant element of uncertainty as to how this situation will develop and its potential impact on Highdome's business and SCR.

The Company considers that the pandemic and the conflict between the two European countries will not have a significant impact on future claims. As the situation in Europe is still developing, the Company will continue monitoring and assess the potential impact on the Company's SCR and own funds.

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5. Quantitative Reporting Templates

I. Own Funds – PCC Solo (S.23.01.01)

At 31st December 2021		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	2,569	2,569			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
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	15,525	15,525			
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	15,525	15,525			
Total available own funds to meet the MCR	R0510	15,525	15,525			
Total eligible own funds to meet the SCR	R0540	15,525	15,525			
Total eligible own funds to meet the MCR	R0550	15,525	15,525			
SCR	R0580	11,764				
MCR	R0600	3,700				
Ratio of Eligible own funds to SCR	R0620	131.97%				
Ratio of Eligible own funds to MCR	R0640	419.58%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	26,278	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	12,956	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	10,753	
Reconciliation reserve	R0760	2,569	
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 2021

Annex I

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	162
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,386
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	434
Equities – listed	R0110	434
Equities – unlisted	R0120	0
Bonds	R0130	19
Government Bonds	R0140	0
Corporate Bonds	R0150	0
Structured notes	R0160	19
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	78
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	2,855
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	6,886
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	6,886
Reinsurance recoverables from:	R0270	3
Non-life and health similar to non-life	R0280	3
Non-life excluding health	R0290	0
Health similar to non-life	R0300	3
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	639
Reinsurance receivables	R0370	376
Receivables (trade, not insurance)	R0380	367
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	25,577
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	37,394

	Solvency II value
Liabilities	C0010

Technical provisions – non-life	R0510	3,917
Technical provisions – non-life (excluding health)	R0520	1,998
TP calculated as a whole	R0530	0
Best Estimate	R0540	1,792
Risk margin	R0550	206
Technical provisions - health (similar to non-life)	R0560	1,920
TP calculated as a whole	R0570	0
Best Estimate	R0580	1,759
Risk margin	R0590	160
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
TP calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	294
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	67
Reinsurance payables	R0830	26
Payables (trade, not insurance)	R0840	6,789
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	24
Total liabilities	R0900	11,117
Excess of assets over liabilities	R1000	26,278

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

At 31st December 2021

	Direct business and accepted proportional reinsurance				
	Medical expense insurance	**Income protection insurance**	**Fire and other damage to property insurance**	**Miscellaneous financial loss**	**Total Non-Life obligation**
	C0020	C0030	C0080	C0130	C0180
Technical provisions calculated as a whole	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	4	0	3	459	465
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0
Net Best Estimate of Premium Provisions	4	0	3	459	465
Claims provisions					
Gross	7	1,748	19	1,312	3,086
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	3	0	0	0	3
Net Best Estimate of Claims Provisions	5	1,748	19	1,312	3,084
Total Best estimate – gross	11	1,748	21	1,770	3,551
Total Best estimate – net	8	1,748	21	1,770	3,548
Risk margin	26	134	4	202	366
Technical Provisions calculated as a whole					
Best estimate	0	0	0	0	0
Risk margin	0	0	0	0	0
Technical provisions – total	0	0	0	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total					
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	37	1,883	25	1,973	3,917

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	7,356		
Counterparty default risk	R0020	3,135		
Life underwriting risk	R0030			
Health underwriting risk	R0040	2,790		
Non-life underwriting risk	R0050	9,807		
Diversification	R0060	-6,936		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	16,151		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	735
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-5,122
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	11,764
Capital add-on already set	R0210	
Solvency capital requirement	R0220	11,764
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	1,088
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	10,676
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

		Yes/No
Approach to tax rate		**C0109**
Approach based on average tax rate	**R0590**	1 - Yes

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		**C0130**
LAC DT	**R0640**	-5,122
LAC DT justified by reversion of deferred tax liabilities	**R0650**	
LAC DT justified by reference to probable future taxable economic profit	**R0660**	-5,122
LAC DT justified by carry back, current year	**R0670**	
LAC DT justified by carry back, future years	**R0680**	
Maximum LAC DT	**R0690**	-5,284

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

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	2,671

		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	8	368
Income protection insurance and proportional reinsurance	R0030	1,748	7,154
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	21	15
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,770	12,159
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

MCR Calculation – PCC Solo (S.28.01.01) Continued

Overall MCR calculation

		C0070
Linear MCR	R0300	2,671
SCR	R0310	11,764
MCR cap	R0320	5,294
MCR floor	R0330	2,941
Combined MCR	R0340	2,941
Absolute floor of the MCR	R0350	3,700
-	-	**C0070**
Minimum Capital Requirement	R0400	3,700

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	4,842	4,842			
Non-available called but not paid in ordinary share capital at Group level	R0020					
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at Group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at Group level	R0080					
Preference shares	R0090					
Non-available preference shares at Group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at Group level	R0120					
Reconciliation reserve	R0130	2,463	2,463			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at Group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	285				285
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						

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Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	359	359			
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270					
Total deductions	R0280	359	359			
Total basic own funds after deductions	R0290	7,232	6,947			285
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	7,232	6,947			285
Total available own funds to meet the minimum consolidated Group SCR	R0530	6,947	6,947			
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	7,232	6,947			285
Total-eligible own funds to meet the minimum consolidated Group SCR	R0570	6,947	6,947			

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Minimum consolidated Group SCR	**R0610**	3,700				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	187.75%				
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**	7,232	6,947			285
Group SCR	**R0680**	1,945				
Ratio of Eligible own funds to Group SCR including other financial sectors and the undertakings included via D&A	**R0690**	369.17%				

Reconciliation reserve						
Excess of assets over liabilities	**R0700**	7,591				
Own shares (included as assets on the balance sheet)	**R0710**					
Forseeable dividends, distributions and charges	**R0720**					
Other basic own fund items	**R0730**	5,127				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**					
Other non available own funds	**R0750**					
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	2,463				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**					
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**					
Total EPIFP	**R0790**					

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

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	285
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	0
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	0
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities – listed	**R0110**	0
Equities – unlisted	**R0120**	0
Bonds	**R0130**	0
Government Bonds	**R0140**	0
Corporate Bonds	**R0150**	0
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	0
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	3,314
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	3,314
Reinsurance recoverables from:	**R0270**	0
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0

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Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	75
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	744
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	4,222
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	8,640
		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	185
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	172
Risk margin	R0550	14
Technical provisions - health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
TP calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0

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Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	0
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	543
Insurance & intermediaries payables	**R0820**	26
Reinsurance payables	**R0830**	0
Payables (trade, not insurance)	**R0840**	295
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	0
Total liabilities	**R0900**	1,049
Excess of assets over liabilities	**R1000**	7,591

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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	1,869		
Counterparty default risk	R0020	180		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	103		
Diversification	R0060	-197		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	1,954		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	5
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	1,959
Capital add-on already set	R0210	
Solvency capital requirement	R0220	1,959
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	1,959

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Deloitte.

Independent auditor's report

to the directors of
Advent Insurance PCC Limited

Opinion

We have audited the following relevant elements of the Group Solvency and Financial Condition Report ("SFCR") prepared by Advent Insurance PCC Limited (the Company) as at 31 December 2021:

- Disclosures pursuant to Articles 296, 297 and 359(d) and (2), as at 31 December 2021 ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.02, S.23.01.22, S.25.01.22 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Group SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Introduction', 'Business and external environment', 'System of governance', 'Risk management system', 'Own risk and solvency assessment', 'Internal control system', 'Internal audit function', 'Actuarial function', 'Outsourcing', and 'Risk profile' elements of the SFCR, and
- Company templates S.02.01.02, S.17.01.01, S.23.01.01, S.25.01.21, S.28.01.01.

To the extent the information subject to audit in the relevant elements of the Group SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group SFCR of the Company as at 31 December 2021 is prepared, in all material respects, in accordance with the Insurance Business Act (Cap. 403) and Insurance Rules issued thereunder, the Commission Delegated Regulation (EU) 2015/35 and the Commission Implementing Regulation (EU) 2015/2452 (hereafter referred to as "the relevant legislation").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants including International Independence Standards* (IESBA Code) together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the relevant elements of the Group SFCR in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Independent auditor's report

to the directors of
Advent Insurance PCC Limited

Emphasis of Matter – Basis of Accounting
We draw attention to the 'Narrative Disclosures subject to audit' of the Group SFCR, which describe the basis of accounting. The Group SFCR is prepared in compliance with the financial reporting provisions of the Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information
The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group SFCR, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group SFCR or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in relation to these matters.

Responsibilities of the Directors for the Group Solvency and Financial Condition Report
The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions contained in the relevant legislation referred to above. In accordance with section 8.9 and paragraph 8.11.1 of Chapter 8 of the Insurance Rules, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Group SFCR and for the approval of the Group SFCR.

The Directors are also responsible to have the necessary internal controls to enable the preparation of the Group SFCR which is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors satisfy themselves that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the relevant legislation as applicable to the Company. The Directors are also required to sign a Declaration Form, in accordance with paragraph 8.6.2 and 8.11.1 of Chapter 8 of the Insurance Rules and Annex IV to the said Chapter, for submission with the Group SFCR to the competent authority.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report
It is our responsibility to form an independent opinion on the Narrative Disclosures subject to audit that the Company shall disclose and on the Templates subject to audit, in accordance with paragraph 8.10.2 and 8.11.1 of Chapter 8 of the Insurance Rules and Annex V to the said Chapter, confirming that the said relevant elements of the Group SFCR have been prepared in all material respects in accordance with the relevant legislation. Such audit is to be made in accordance with paragraph 8.10.2 and Annex V of Chapter 8 of the Insurance Rules and with International Standards on Auditing.

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Independent auditor's report
to the directors of
Advent Insurance PCC Limited

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group SFCR.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant elements of the Group SFCR, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the relevant elements of the Group SFCR or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the relevant elements of the SFCR, including the disclosures, and whether the relevant elements of the Group SFCR represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent auditor's report

to the directors of
Advent Insurance PCC Limited

Use of our Report

This report is made solely to the Directors of the Company in accordance with our engagement letter dated 6 October 2021. We acknowledge that our report will be provided to the MFSA for the use of the MFSA solely for the purposes set down by Chapter 8 of the Insurance Rules issued under the Insurance Business Act (Cap. 403). Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the MFSA, for our audit work, for this report or for the opinions we have formed.

This report was drawn up on 28 April 2022 and signed by:

Mark Giorgio as Director
In the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta.