Solvency and Financial Condition Report

December 2016

Issued: May 2017
Approved by the B.O.D.: 19 May 2017

Elmo Insurance Ltd
Abate Rigord Street
Ta' Xbiex XBX 1111
Malta

Contents

1. Executive Summary

The Directors of Elmo Insurance Limited ("the Company") present the Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2016.

The principal activities of the Company are that of an insurance company licenced in terms of Section 7 of the Insurance Business Act, 1998 by the Malta Financial Services Authority ("MFSA") to write general business in Malta.

1.1 Business and Performance

During the year under review the company registered a profit before tax of €3,328,294 compared to €2,905,871 in 2015. The charge to taxation amounted to €941,434 compared to €507,162 in 2015.

These results were achieved despite difficult market conditions encountered within international financial markets that are subjected to a low interest environment.

The company's financial position further strengthened during the year. Shareholders' funds under IFRS amounted to €17,498,587 at 31 December 2016. At the end of 2015, shareholders' funds totalled €14,740,354. Our Solvency II Capital Requirement ratio as at 31 December 2016 stood at 290% compared to 294% at the end of 2015.

1.2 Systems of Governance

The Company was not caught ill-prepared when Solvency II effectively came into force on 1st January 2016, thanks to the amount of preparation carried out by all members of staff.

Elmo Insurance effectively meets all regulatory organisational and governance requirements in terms of having the necessary corporate governance structure in place and having filled the necessary key functions with skilled function holders.

The Company has implemented numerous formal policies, which are reviewed on a yearly basis, systems and processes which are effected by the management team to provide reasonable assurance regarding:

1. Achievement of the Company's objectives
2. Effectiveness and efficiency of operations
3. Reliability of financial and non-financial reporting
4. Adequate control of risks
5. A prudent approach to business
6. Compliance with applicable legislation.

The Company has established a sound control environment by adopting the 'three lines of defence' model, which provides a simple and effective way to enhance communications on risk management and internal control by clarifying essential roles and responsibilities.

The Senior Management team and the Executive Directors are responsible to set the tone at the top and provide foundation and create discipline and structure for an effective control environment. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organises and develops people; and the attention and direction provided by the Board.

1.3 Risk Profile

Elmo Insurance Limited has adopted an Enterprise-Wide Risk Management ("ERM") approach. The ERM approach means that the Company looks at all the risks that it faces across all of the operations that it undertakes. Many risks are interrelated and traditional risk management fails to address the relationship between risks. With the ERM approach, the relationship between risks is identified by the fact that two or more risks can have an impact on the same activity or objective.

The risk management strategy employed by the Company revolves around three main principles:

- Governance
- Risk Ownership
- Risk Culture

The Company has developed a risk register which formally acknowledges the risks identified by the Company, the threats and opportunities arising from such risks, the department/function responsible for overseeing such risks as well as the controls in place to mitigate the risks.

1.4 Solvency Position

Since Solvency II came into force on 1 January 2016 the valuation of the Balance Sheet and the SCR is carried out on a quarterly basis by running the standard-formula-based capital model provided by an external firm and performing stress and sensitivity tests.

In relation to the Solvency II Balance Sheet, specific valuation rules are defined in Solvency II for several Balance Sheet items that differ from the accounting rules as laid out in the International Financial Reporting Standards as adopted by the EU ("IFRS"), which is the basis on which the Annual Financial Statements of the Company are published.

The Company's Solvency position as at 31 December 2016 was as follows:

Solvency Position	2016	2015
Company's Own Funds	**17,823,203**	**15,564,904**
Solvency Capital Requirement	6,144,726	5,293,107
Solvency Margin cover	**290%**	**294%**
Minimum Capital Requirement	3,700,000	3,700,000
MCR cover	**482%**	**421%**

Sub-modules SCR	2016	2015
Market	6,084,774	5,387,149
Default	2,172,812	1,304,745
Health	690,349	714,108
Non-life	3,361,776	3,107,086
Diversification Benefit	(3,336,591)	(2,817,987)
Basic SCR	**8,973,120**	**7,695,101**

SCR	2016	2015
Basic SCR	8,973,120	7,695,101
Operational	480,305	448,141
LACDT	(3,308,699)	(2,850,135)
Total	**6,144,726**	**5,293,107**

The largest risk module under the SCR computation is not the insurance risk, but market risk, mainly because of the holdings in equities and foreign currency investments. If necessary, the Company may reduce relatively easily the capital requirements by transferring its exposure to assets which attract lower capital charges.

Any strategic changes on the insurance business will have a very small impact on the SCR mainly due to the comprehensive reinsurance programme with a panel of highly rated reinsurers, which reduces significantly the Company’s net exposure. In fact, strategic decisions on core insurance operations would need to be significant in order to impact materially on the SCR.

2. Business and Performance

2.1 Business

Basic Information

Name of the undertaking:	Elmo Insurance Limited
Company number:	C3500
Registered address:	"Elmo" Abate Rigord Street Ta'Xbiex Malta
Legal status:	an insurance company licensed in terms of Section 7 of the Insurance Business Act, 1998 by the MFSA to write general business in Malta
Directors:	David Bartoli (Managing Director) William Harding (Chairman) Alan Bartoli John Cooper Roger Bellamy Godfrey Leone Ganado

The Company offers its services via staff at head office, 8 branch offices and a number of insurance brokers and tied insurance intermediaries. The details of the branch offices, brokers and intermediaries can be found on the Company's website.

Name of supervisory authority:	Malta Financial Services Authority
Contact details:	Malta Financial Services Authority Notabile Road BKR3000 Attard Malta Tel: +356 2144 1155 www.mfsa.com.mt

Name of the external auditor: PricewaterhouseCoopers

Contact details: 78 Mill Street
Qormi
Malta

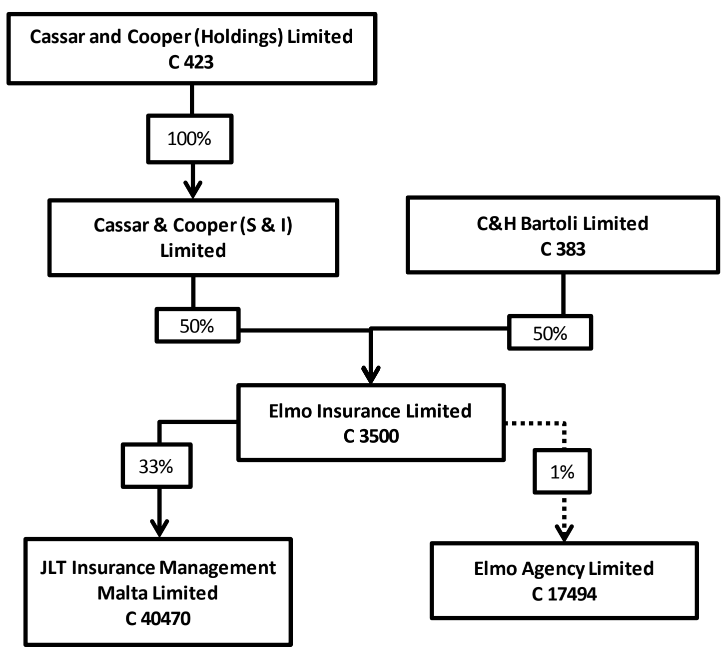
Material Lines of Business

Elmo Insurance Limited is authorised to write most classes of non-life business, including health insurance and is regulated by the MFSA. The following are the material lines of business which the Company writes within the classes of Solvency II:

- Fire and other damage to property insurance
- General liability insurance
- Other motor insurance
- Motor liability insurance
- Workers' compensation insurance

Ownership structure

EIL is owned on a 50%-50% basis by C & H Bartoli Ltd and Cassar and Cooper (Holdings) Ltd respectively as represented in the structure hereunder:



Material Transactions with Shareholders and Members of the Board of Directors

Trading transactions with related parties and year end balances arising from these transactions are disclosed in Note 26 to the Company's financial statements.

2.2 Underwriting Performance

The insurance market appears to have regained stability after several years of near tepid growth. In more recent years we experienced added pressures due to severe competition resulting in aggressive rate cutting. Our overall gross written premium increased from €14,488,253 in 2015 to €15,693,009 in 2016, an increase of 8%. This positive trend has continued over the first four months of 2017.

Our overall net loss ratio improved from 66% in 2015 to 62% in 2016. This result was achieved despite operating within a very challenging motor insurance market.

The company's operating expenses increased from €2,368,933 in 2015 to €2,540,986 in 2016 mainly due to higher acquisition costs and increased investment in IT related services. Elmo's combined operating ratio improved by 3% from 86% in 2015 to 83% in 2016 in the main due to improved underwriting results.

Solvency II came into force on 1st January 2016. Whilst we were well prepared for all that it entails, we have had to invest a considerable amount of management time and resources to ensure that we are compliant with all that is required.

We are pleased to note that the handover of the company's general management function from that which existed two years ago, to a younger team has been successfully executed. The result being that in turn this has emboldened our senior management team to successfully face the many challenges that we encounter in this market.

The company is acutely aware of the importance of maintaining the quality of its human resources and it continues to invest heavily in training of its staff, which now number in excess of a 100 persons on a "group" basis including associate insurance undertakings. To cope with anticipated increased numbers; towards the end of 2016 we acquired an additional property adjacent to our head office. We plan to have this property demolished and rebuilt by the end of 2018, with the scope of using it as office space.

The tables below show a breakdown of the Company's underwriting performance for all material lines of business for the year ending 31 December 2016:

	Gross premiums written		Gross premiums earned	
	2016	2015	2016	2015
Fire and other damage to property insurance	**4,021,112**	3,925,315	**3,863,869**	3,793,129
General liability insurance	**553,390**	492,989	**499,188**	510,831
Other motor insurance	**3,293,678**	2,919,674	**3,114,651**	2,820,599
Motor vehicle liability insurance	**5,911,853**	5,314,173	**5,598,029**	5,139,920
Workers' compensation insurance	**509,879**	476,450	**470,420**	476,024
Other lines of business	**1,403,097**	1,359,652	**1,392,524**	1,301,643
Total	**15,693,009**	14,488,253	**14,938,681**	14,042,146

	Gross claims incurred		Gross operating expenses		Reinsurance balances	
	2016	2015	2016	2015	2016	2015
Fire and other damage to property insurance	**870,453**	688,801	**1,016,162**	1,044,334	**1,208,225**	1,317,953
General liability insurance	**76,031**	77,060	**131,536**	120,666	**29,788**	24,218
Other motor insurance	**2,059,903**	1,979,027	**932,486**	815,874	**112,912**	(22,866)
Motor vehicle liability insurance	**4,121,859**	3,604,942	**1,656,135**	1,597,965	**(279,939)**	361,848
Workers' compensation insurance	**176,413**	299,191	**162,397**	130,359	**(12,880)**	(9,028)
Other lines of business	**504,912**	393,309	**377,765**	369,643	**307,805**	296,198
Total	**7,809,571**	7,042,330	**4,276,481**	4,078,842	**1,365,911**	1,968,323

Gross premiums written emanate from contracts concluded in or from Malta.

The reinsurance balance represents a charge or credit to the technical account arising from the aggregate of all items relating to reinsurance outwards.

2.3 Investment Performance

Despite operating within a very low interest environment we managed to register an average gross return on our investment portfolio of 7.1% in 2016 compared to 7.6% in 2015.

The table below shows a breakdown of the Company's investment performance for the year ending 31 December 2016:

	2016	2015
Dividends received from investments at fair value through profit or loss	**178,605**	236,778
Net gains from financial investments at fair value through profit or loss	**1,101,978**	1,273,551
Interest receivable in relation to other loans and receivables	**(14,502)**	92,753
Share of gains of associated undertaking	**61,219**	42,058
Income from investment property	**297,500**	-
	1,624,800	1,645,140
Investment expenses and charges	**(79,829)**	(76,658)
Total investment return	**1,544,971**	1,568,482

3. Systems of Governance

3.1 General Information on the Systems of Governance

Elmo Insurance Limited has adopted an Enterprise-Wide Risk Management ("ERM") approach. The ERM approach means that the Company looks at all the risks that it faces across all of the operations that it undertakes. Many risks are interrelated and traditional risk management fails to address the relationship between risks. With the ERM approach, the relationship between risks is identified by the fact that two or more risks can have an impact on the same activity or objective.

The risk management strategy employed by the Company revolves around three main principles:

- Governance
- Risk Ownership
- Risk Culture

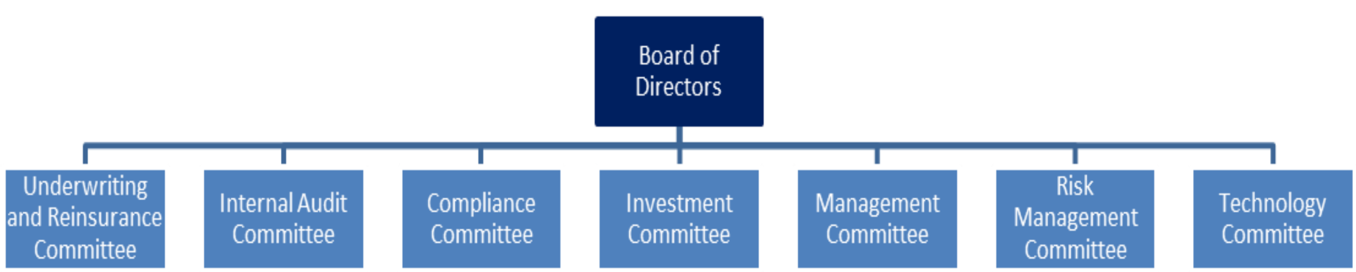
These principles are defined further below.

Governance

The Company has over the past several years implemented numerous formal policies, which are reviewed on a yearly basis, systems and processes which are effected by the management team to provide reasonable assurance regarding:

1. Achievement of the Company's objectives
2. Effectiveness and efficiency of operations
3. Reliability of financial and non-financial reporting
4. Adequate control of risks
5. A prudent approach to business
6. Compliance with applicable legislation.

The Company has established a number of Board Committees and drawn Terms of Reference for each including clear reporting lines. The Company's governance and corporate structure is laid out below:



Responsibilities of the Board of Directors

The Board of Directors ("the Board") is appointed to act on behalf of the shareholders and to appoint a management team to run the day to day affairs of the business. The Board is directly accountable to the shareholders and is responsible for holding regular Board meetings including a statutory annual general meeting during which the directors must provide a report to the shareholders on the performance of the Company, what its future plans and strategies are.

The primary objective of the Board is to ensure the company's prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the Board deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. In this respect the Board has to ensure strict adherence to all relevant laws and regulations.

The Board comprises a mix of executive and non-executive independent directors in order to allow it to be objective in its decision making. Furthermore, all members of the Board satisfy the fitness and properness criteria as required by the Company.

As from November 2016, the Board took over a large portion of the responsibilities of the Audit Committee including:

i. To monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
ii. To monitor the effectiveness of the Company's internal quality control and risk management systems and, its internal audit, regarding the financial reporting of such undertaking;
iii. To monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions;
iv. To review and monitor the independence of the statutory auditor or the audit firm; and
v. To be responsible for the procedure for the selection of the statutory auditor or audit firm and recommend the statutory auditor or the audit firm.

Underwriting and Reinsurance Committee

The Underwriting and Reinsurance Committee was set up since the commencement of the Company's Insurance operations. Membership comprises of two executive directors, a non-executive director and various underwriting and reinsurance managers. The committee's responsibilities are to ensure that the Company complies with all underwriting and reinsurance policies and advise/monitor/instruct all members of staff in the insurance technical issues of the Company.

Internal Audit Committee

The Internal Audit Committee is composed of one executive director and two non-executive directors and its main function is to assist the Board, but does not discharge it from its responsibilities, with respect to the integrity of the Company's financial statements, for the effectiveness of the systems of internal control and for monitoring the effectiveness and objectivity of the internal auditors

The main responsibilities of the internal audit committee are twofold:

- Financial Reporting responsibilities, including reviewing and challenging the actions and judgements of management in relation to the Company's financial statements and monitoring the statutory audit of the Company's annual financial statements
- Internal Audit responsibilities; including reviewing the internal audit plan and internal audit reports and ensure the internal audit function maintains independence and is adequately resourced and has the appropriate standing within the Company, receiving a report on the results of the internal auditor's work on a periodic basis and monitoring management's responsiveness to the internal auditor's findings and recommendations

Compliance Committee

The role of the Compliance Committee is to assist the Board in fulfilling their governance and oversight responsibilities for monitoring business conduct and compliance with laws, regulations, relevant codes of conduct and related corporate governance issues.

The responsibilities include:

- providing recommendations to the Board on the Company's attitude towards regulatory compliance
- maintaining oversight of the Company's regulatory compliance processes and procedures and monitoring their effectiveness
- ensuring that the Compliance Function is adequately resourced and that it has appropriate standing within the Company
- keeping up-to-date with developments and prospective changes in the regulatory environment
- monitoring the activities of all Tied Insurance Intermediaries and ensuring that these comply and conduct business in accordance with the respective appointment agreement and relevant rules and regulations
- considering other topics, as referred to it from time to time by the Board.

Investment Committee

The function of the Investment Committee is to secure the safety, yield and marketability of the Company's investments, ensuring that the investments are diversified and adequately spread in accordance with good risk management practise.

The Investment Committee is responsible to formulate the investment policy and guidelines and ensure that systems are in place to ensure that the agreed investment strategy is implemented including monitoring the work carried out by the investment manager and the credit-worthiness of investment exposures.

Management Committee

The Management Committee offers the right forum for the Senior Management Team to report to the Board on matters such as insurance market developments, staff developments and sales initiatives.

Risk Management Committee

The membership of the Risk Management Committee is made up of two executive directors, two independent non-executive directors and the risk manager. This committee is responsible for:

- assisting the Board in setting a strategy for risk management which includes risk management objectives, key risk management principles, risk appetite and tolerance limits and assignment of responsibilities across all the activities of the company which is consistent with the company's overall business strategy.
- developing adequate risk management policies that include a definition and categorization of the material risks faced by the company.
- building a culture that is aware of the risks and encouraging risk management ideologies throughout the company.
- designing and reviewing formal processes for risk management including the Own Risk and Solvency Assessment ("ORSA").
- supporting the development of risk response processes including contingency and business continuity plans.
- preparing reports on significant risk issues for the Board.

Technology Committee

The role of the Technology committee is to discuss the operational technology requirements of the Company. The committee is responsible to:

- identify the core operational technology requirements of every business function which support the business strategy of the Company
- identify internal controls to be incorporated into the systems
- draft IT policies supporting these internal controls
- review current and future technologies to identify opportunities to increase the efficiency of IT resources
- monitor and evaluate technology projects
- provide advice and recommendations to the Board of Directors on technology strategies and investments.

Risk Ownership

The concept of risk ownership is to assign risks to the most appropriate person within the Company, usually the person with most influence over the activity. This is because risks that are not owned are often not managed. Therefore, clarity about personal responsibilities is important to process effectiveness.

The risk owner may delegate tasks to members of his team; however he ultimately remains responsible for the management of the risk.

Risk Culture

Risk culture is a term describing the values, beliefs, knowledge and understanding about risk shared by a group of people with a common purpose, in particular the employees of an organisation.

The Company's culture reflects the entity's ethics: the values, beliefs, attitudes, desired behaviours, and understanding of risk. Culture supports the achievement of the Company's mission and vision. Through a risk-aware culture, the Company stresses the importance of managing risk and encourages transparent and timely flow of risk information.

The Company needs to take risks to achieve its objectives. Defining risk culture is important as an inappropriate risk culture will inadvertently lead in allowing activities that are contrary to the Company's stated policies and procedures.

The Board is committed to creating a culture where effective risk management is an integral part of the way people work and strives to implement the correct risk culture through the following 5 main components:

1. Strong leadership
2. Involvement of all stakeholders in all stages of the risk management process
3. Emphasis of training in risk management procedures and internal controls
4. Accountability for actions
5. Communication and openness on all risk management issues

The defined risk appetite and tolerance limits forms part of the risk culture the Board wishes to pass on to Management and employees as they provide guidance on the risks which the Company is willing to take to achieve the strategic goals.

The Company has a remuneration policy in place to ensure that the remuneration awards do not threaten the Company's ability to maintain an adequate capital base and remuneration arrangements with service providers do no encourage risk-taking that is excessive in view of the Company's risk management strategy and long-term interests. Details of the remuneration to directors are found in Note 7 to the Financial Statements.

3.2 Fit and Proper Requirements

The Company has in place a fit and proper policy which sets out the procedure for assessing the fitness and propriety of the persons who effectively run the undertaking or have other key functions, both when being considered for the specific position and on an on-going basis.

Prior to appointment of a Director, a General Manager, a Senior Manager or a Person responsible for a Key Function the individual will be required to provide to the Company the following documentation:

- a duly completed Personal Questionnaire;
- a duly completed Conflict of Interest Questionnaire;
- Curriculum Vitae;
- copies of major qualification certificates;
- copies of reference letters; and
- copy of Police Conduct Certificate

These shall be considered together with a list of people, management and business skills to determine whether the person is fit and proper.

For key functions, approval from the MFSA is required prior to appointment by the Company's Board.

On annual basis the Board carries out a self-assessment and an assessment of General Managers, Senior Managers and Persons responsible for Key Functions in order to confirm that these are still 'fit and proper'. In particular, they are required to confirm on an annual basis that the replies contained in the Personal Questionnaire and in the Conflict of Interest Questionnaire submitted by them upon engagement are still valid and that no material changes known to them have occurred.

3.3 Risk Management System including the Own Risk and Solvency Assessment

The Board has taken active steps to implement an embedded risk management system in the Company. Implementing the risk management system was not viewed as a tick-box exercise to satisfy regulation requirements arising from Solvency II and the Insurance Business Act, but as a structure for adequate risk management, which will result in numerous benefits to the Company, including, but not limited to, reduction of exposure to certain hazard risks and an increased ability to fulfil Company objectives.

The Company's risk management system covers all significant risks and incorporates the following:

- A risk management strategy – the strategy includes the risk management objectives, key risk management principles, risk appetite and tolerance limits and assignment of responsibilities across all the activities of the Company. Critical to an effective risk management strategy is alignment to the Company's overall business strategy.

- Processes and procedures – these are in place to enable the Company to identify, assess, manage, monitor and report the risks it is exposed to.

- A risk management policy – the policy includes a definition and categorisation of all the significant risks which the Company faces, by type, and the levels of acceptable risk limits for each risk type. It also documents how the Company should implement its risk strategy, facilitate control mechanisms and takes into account the nature, scope and time horizon of the business and the risks associated with it.

- Internal reporting procedures – these have been set up to ensure that the information on the risk management system is actively monitored and managed by all relevant staff and the Board. This includes reports submitted to the Risk Management Committee and to the Board.

- An appropriate ORSA process. The Company conducts and prepares an ORSA document on an annual basis, or immediately following the identification of any significant change to Company's risk profile, whichever is the earlier. The ORSA document, which is drafted following the input of all key functions and senior management, provides a description of:
    - all material risks from all assets and liabilities identified by the Company
    - management practices, systems and controls, including risk mitigation for these risks
    - the quality of processes and inputs, and in particular the related governance issues in place
    - the link between business planning and the overall solvency needs
    - explicit identification of possible emerging risk scenarios
    - assessment of potential stresses

  The Company assesses its overall solvency needs and expresses the overall solvency needs in quantitative terms, while complementing the quantification by a qualitative description of the material risks.

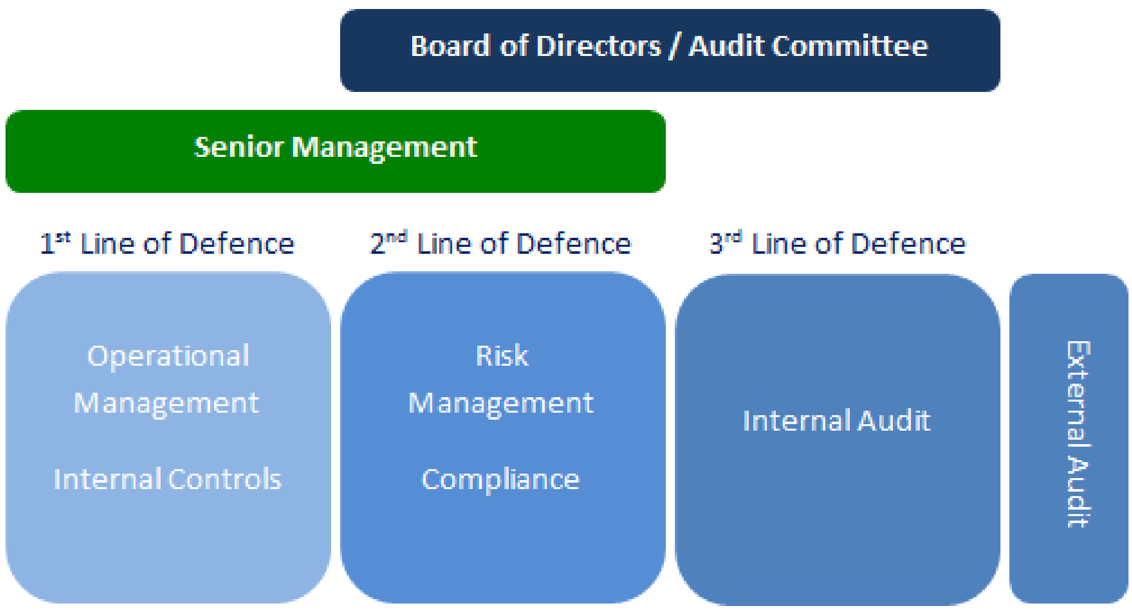
  The assessment of the Company's own risks forms an important part of the decision making process of the Company. The determination of the overall solvency needs contributes to assessments of whether to retain or transfer risk and how best to optimise the Company's capital management. In this respect, the ORSA allows the Company to assess its overall solvency needs to match its exposure to risk. In light of the above, the overall solvency needs bring together the Company's risk profile and its approved risk tolerance limits.

  The ORSA is reviewed and approved by the Board of Directors, following which its results and conclusions are communicated to all relevant staff.

3.4 Internal Control System

The Board of Directors adopts the Three Lines of Defence Model which provides a simple and effective way to enhance communications on risk management and internal control by clarifying essential roles and responsibilities.

The Senior Management team is responsible to set the tone at the top and provide foundation and create discipline and structure for an effective control environment. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organises and develops people; and the attention and direction provided by the Board.



Three Lines of Defence Model

Primary responsibility for the application of the Risk Management Function lies with Operational Management – the first line of defence. Operational management has ownership, responsibility and accountability for assessing, controlling and mitigating risks together with maintaining effective internal controls.

Support for and challenge on the risk management activities including the identification, measurement, monitoring, management and reporting of risk are performed by the Risk Management Function, the Compliance Officer and the respective Board Committees set up by the Board, each having their own separate terms of reference – the second line of defence.

Independent and objective assurance on the robustness of the Risk Management Function and the appropriateness and effectiveness of internal control is provided by the Internal Auditors. In order to maintain complete independence the Company outsources the Internal Audit Function to a third party service provider.

An external line of defence is found through the work performed by the external auditors, who annually audit and provide the shareholders with reasonable assurance that the financial statements are free from material misstatement due to fraud and error.

Through the internal control system implemented by the Board above, it is able to provide to its stakeholders reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations.

3.5 Internal Audit Function

The role of the Internal Audit is to be an independent, objective assurance and consulting activity designed to assist with the Company's risk management processes including determining whether an effective governance, risk management and internal control environment exists and is being maintained.

The Internal Audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.

The key responsibility of the Internal Audit is to the Board of Directors in discharging its governance responsibilities and to perform the following functions:

- evaluating the Company's governance processes including ethics;
- performing an objective assessment of the effectiveness of risk management and the internal control framework; and
- systematically analysing and evaluating business processes and associated control.

Internal Audit does not assume any operational responsibility or authority over any of the activities audited, unless it can be reasonably established that such operational involvement will not impair the independence of the Internal Audit Function. Consequently, Internal Audit does not implement controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgement.

Internal Audit demonstrates the highest level of professional objectivity in obtaining, evaluating and communicating information and findings about the activity or process under review.

The Company has outsourced the Internal Audit Function. During 2016, the Internal Audit Function carried out 3 Internal Audits, the results of which were satisfactory to the Board.

3.6 Actuarial Function

The role of the Actuarial Function is to assist the Board of Directors in discharging its responsibilities for the management and controlling the significant risks to which the company may be exposed.

The Actuarial Function is responsible to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions in the cases set out in Article 82;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk-management system, in particular with respect to the risk modeling underlying the calculation of the capital requirements.

The Company has outsourced the Head of Actuarial Function ("HoAF") and Actuarial Function. The HoAF coordinated the calculation of the technical provisions ensuring that the calculation is compliant with the requirements regarding the calculation of technical provisions and reported on those calculations to Elmo including whether there are any uncertainties connected to this calculation in the Actuarial Function Report, during December 2016.

3.7 Outsourcing

To conduct operations as effectively and efficiently as possible, the Company finds it advantageous to outsource certain functions. The Company has in place an outsourcing policy to ensure that the development and implementation of any proposal to outsource operational functions are carried out in a rigorous, transparent and a consultative manner that ensures the Company's best interests are served.

Notwithstanding the procedures in place, effort is made to maintain several activities or functions in-house and only outsource them in case of situations wherein finding suitable replacement would be cumbersome and would result in the interruption of internal Company processes. These include underwriting, claims, accounting and marketing.

4. Risk Profile

The objective of the risk management strategy employed by the Company is primarily to:

- fully integrate risk management into the culture of the Company
- ensure that the risk management framework is understood and implemented by staff with an operational responsibility for risk
- ensure the benefits of risk management are realised through maximising opportunities and minimising threats
- ensure consistency throughout the Company in the management of risk

The Board determined that the risk management system of the Company covers the following areas of risk:

1. *Underwriting and reserving risk* – the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and reserving assumptions. It includes fluctuations in the timing, frequency and severity of insured events/claims settlements

2. *Reinsurance risk* – the risk of being unable to obtain insurance from a reinsurer at the right time and at an appropriate cost

3. *Market and Investment risk* – the risk of loss in value of the investment portfolio due to market volatility

4. *Liquidity risk* – the risk that undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due

5. *Asset-liability management risk* – the management of a business in such a way that decisions on assets and liabilities are coordinated in order to manage the exposure to the risk associated with the variation of their economic values. The Board decided to consider this risk within the same category of Liquidity Risk

6. *Credit risk* – the risk of loss resulting from fluctuations in credit standing of counterparties

7. *Operational risks* – the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events

The Board considers the accumulation and interaction of policies it writes and how these are to be managed within the underwriting and reinsurance risk categories. Concentration risks with respect to credit counterparties and investment risks are considered within the respective risk categories as well. Interaction between risk categories are considered during the risk assessment exercises when determining the impact and likelihood of each risk.

4.1 Underwriting and Reserving Risk

The directors manage exposure to insurance risk through an Underwriting Committee (U.C.) that considers aggregation of risk, and establishes risk retention levels.

The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type and amount of risk and industry. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the company's success.

The goal is for underwriters to be in a position to:

- Understand and assess each risk,
- Make appropriate decisions within their area of competence and authority limits,
- Differentiate between risks,
- Apply suitable terms and conditions in order to manage the portfolio,
- Control exposure,
- Improve the predictability of the loss experience and make appropriate use of the company's technical capacity.

Each of the company's underwriters has a specific license that sets clear parameters for the business that they can underwrite, based on the competence of the individual underwriter. The U.C. looks at company underwriting issues, reviewing and agreeing underwriting direction and setting policy and directives where appropriate, and limits on the overall retention of risk that the company carries. The company's management of the underwriting and claims risks restricts underwriting of specific high risk classes of business to underwriters with appropriate technical competence and includes reviewing the performance and management of selected individual insurance portfolios throughout the company.

Pricing is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and trended forward. While claims remain the company's principal cost, allowance is also made in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of the capital exposed to risk.

The company has the right not to renew individual policies or to reprice on renewal, it can impose deductibles and it has the right to reject the payment of a fraudulent claim.

Claims handling - risks surrounding known claims are mitigated through the Company's in-house teams of skilled claims technicians who apply their experience and knowledge to the circumstances of individual claims. These teams are responsible for investigating and adjusting claims, together with specialist independent loss adjustors that might be engaged depending on exigencies. Claim estimates are reviewed periodically and adjusted on the basis of information that becomes available specific to the claim as well as changes in external factors such as judicial decisions and legislation. The Company generally pursues early settlement of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments - claims on contracts are accounted for on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, the estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company. Certain classes of business can take several years to develop, in particular claims involving casualty, and are therefore subject to a greater degree of uncertainty than other classes of business that are typically settled in a shorter period of time.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR in the Company's technical accounts.

In calculating the estimated cost of unpaid claims, the Company uses a combination of estimation techniques, based partly on known information and partly on statistical analyses of a historical experience.

Reserves are analysed by line of business. Case reserves are established on each individual claim and are adjusted as new information becomes known during the course of handling the claim. Lines of business for which claims data (e.g. paid claims and case reserves) emerge over a long period of time are referred to as long tail lines of business. Lines of business for which claims data emerge more quickly are referred to as short tail lines of business. Risks underwritten by the Company are typically short tail, although certain lines of business may take longer to develop, including, for example, personal accident and employers' liability.

The Company's claims managers regularly review reserves for both current and prior accident years using the most recent claims data. These reserve reviews incorporate a variety of judgments, and involve extensive analysis. The ultimate cost of outstanding claims, including claims incurred but not reported, is subsequently estimated through statistical analyses of historical claims trends, which are projected forward giving greater weighting to recent years. Additional qualitative judgment is applied to assess the extent to which past trends may not apply in the future.

4.2 Market and Investment Risk

Market and Investment risk is split into three main risk categories:

Interest Rate Risk

In general, the company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets issued at variable rates expose the company to cash flow interest rate risk. Assets issued at fixed rates expose the company to fair value interest rate risk. Interest rate risk is principally managed through the investment in debt securities having a wide range of maturity dates. Moreover, investment parameters exist to limit exposure to any one particular issuer and any one particular security.

Price risk

The company's financial assets are also susceptible to the risk of changes in value due to changes in the prices of equities in respect of investments held and classified on the balance sheet as fair value through profit or loss. The directors manage this risk of price volatility by entering into a diverse range of investments including equities and collective investment schemes. The company has an active Investment Committee that has established a set of investment guidelines that is also approved by the Board of Directors. These guidelines provide parameters for investment management, including contracts with external portfolio managers. The directors review market value fluctuations arising on the company's investments on a regular basis. Investment parameters and diversification procedures also consider solvency restrictions.

Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact on the amounts that are paid to settle liabilities and on the amounts that are realised from the company's assets. Most of the company's liabilities are in local currency and are therefore not subject to currency risk. The company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the euro. The company's Investment Committee establishes allowable thresholds with regards to the company's exposure to foreign exchange risk.

4.3 Counterparty Default and Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- Investments and cash and cash equivalents;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from policy holders and insurance intermediaries.

The company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparty. Limits on the level of credit risk are approved by the directors, and the credit terms allowed depend on the distribution channel through which business is secured. Frequent meetings are held, attended by directors, in order to monitor the overall credit situation, and to take remedial measures as appropriate. The directors consider that the company is not exposed to material concentration of credit risk in respect of trade debtors due to the large number of customers comprising the company's debtor base.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is monitored on an annual basis by reviewing their financial strength prior to finalisation of any contract. The company's policy is to only contract reinsurers with a minimum rating of A-.

The company is also exposed to credit risk for its cash at bank and investments. The company's cash is placed with quality financial institutions.

4.4 Liquidity and Asset Liability Matching Risk

The company's exposure to liquidity and asset liability management risks arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The directors do not consider these risks to be significant given the nature of the company's financial assets and liabilities. The company's financial assets are considered to be readily realisable as they consist of local and foreign securities listed on recognised stock markets. Moreover, the company ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the company may also resort to overdraft facilities which provide a short-term means of finance.

4.5 Operational Risk

Operational risks may arise from the following sub-categories:

Strategic Risks	Lack of strategic planning and objectives, poor business decisions and lack of monitoring and responsiveness to changes in the business environment
People's Risks	Lack of succession planning and recruitment, individual's goals not aligned with Company's goals and workplace safety
IT Risks	Inadequate system design or capability to maintain business functionality, information security (exposure to loss of records and data leakage)
Cyber Risks	Information security (exposure to loss of records and data leakage) and breakdown of IT Systems
Internal Control Failure including Fraud	Failure of internal control processes due to incorrect design and implementation or management override
Project and Change Management	Failure to deliver the expected benefit of an initiative or costs exceeding benefits, inadequate implementation of a project initiative
Regulatory and Compliance	Breach of applicable law/regulations, including adherence to regulatory

Risks	timeframes; Frequent changes in legislation and lack of staff awareness of compliance requirements resulting in misconduct
Competition	Failure to monitor market trends and customers' needs
Business Continuity Management	Any event that disrupts the business operations of the Company and/or its performance and lack of planning ahead of managing the aftermath of such event
Reputational and Brand Name Risks	Significant market, operational and strategic failures leading to loss of reputation and possibly litigation and regulatory action
Outsourcing	Excessive reliance on outsourced service, inadequate level of service obtained from the provider and/or breach of data confidentiality
Distribution vulnerability	Loss of business to a distribution channel and over-reliance on a particular distribution channel
Capital Management	Failure to maintain adequate capital to meet the SCR and MCR requirements under the Standard Formula

The Company undergoes strategic thinking and planning initiatives on an annual basis to clearly set the direction forward. The exercise sets out key performance indicators which should be reached in order to ensure maximum value to stakeholders. Furthermore, on a yearly basis, the Directors of the Company determine premium targets and set the overall tone for the business plan of the forthcoming year.

The Company manages people's risk through its Human Resource Manager who is supported by members of Senior Management. The Company is currently in the process of further strengthening its human resources function through third party consultancy assistance.

IT has been the major investment by the Company in the past years. The Company has also built an IT team in order to ensure that IT satisfies business requirements. The IT department is also responsible for the management of IT safety, including cyber risks. An array of IT policies are in place in order to mitigate IT risks.

All departmental managers are responsible to establish all relevant internal controls within their area of responsibility in line with the Internal Control Policy. The Company outsources the internal audit function to a third party firm in order to provide additional assurance to the Board of Directors on the adequacy of internal controls. A Fraud Policy has also been set up with respect to the procedures necessary to combat and report fraud.

The compliance officer is responsible to manage compliance risks. Laws and regulations are reviewed when introduced, deadlines are monitored actively and compliance updates are rolled-out to staff to bring their attention to the matter. A complaints register is maintained by the compliance officer to keep record of all formal complaints.

The Company constantly reviews the market to determine any trends which are arising in pricing and policy covers. Staff have been appointed to handle customer care, which includes carrying out regular surveys and reviewing comments on social media and other sources. The results of the trends are then discussed at Committee level and during the strategic thinking exercises.

The Company frequently considers the events which may impact business continuity and has established and formalised a Disaster Recovery Plan which prescribes preparedness procedures to deal with disasters and their aftermath. The plan is tested on an annual basis by the Disaster Recovery Team and presentations and memos are distributed to Senior Management and staff to raise awareness on the risks and actions to be carried out.

Certain distributions are considered key for the generation of good premiums. Good relations are maintained with all distribution channels, including invitations to Company social events. The Company controls its reliance on a particular distribution channel by reviewing statistics on a monthly basis at Underwriting Committee level.

The Company strives to maintain adequate capital levels through portfolio diversification to reduce market risk exposure, a well-balanced underwriting portfolio to reduce underwriting risk exposure and retaining an amount of profits within the Company to build up capital.

4.6 Reinsurance Risk

The company reinsures a portion of the risks underwritten to control exposure to losses, to reduce volatility, and to protect capital. The type of reinsurance cover, and the level of retention, are based on the company's internal risk management assessment, which takes into account the risk being covered and the sums assured. The reinsurance strategy and programme are set and agreed by the Reinsurance Committee on an annual basis. The reinsurance arrangements include a mix of proportional, facultative and non-proportional cover, which limit the liability of the company to any one individual claim or event.

Monthly reviews of aggregates are carried out to ensure that adequate reinsurance is in place. Periodical meetings are held with the company's reinsurance brokers, the purpose of which is to systematically agree the renewal process of the company's reinsurance requirements, and to ensure a formalised means of communication between Elmo and its reinsurance brokers. Good "ad hoc" contact with reinsurance brokers is maintained during the year when dealing with risks that are not catered for by standard reinsurance treaties.

The company monitors the financial condition of reinsurers on an ongoing basis, and reviews its reinsurance arrangements regularly to ensure that its counterparty exposure to individual reinsurance groups is within the parameters set by the U.C., and the MFSA. The company does not place reinsurance with reinsurers having a credit rating lower than 'A-'.

5. Valuation for Solvency Purposes

Assets and liabilities under Solvency II are valued in accordance to the Solvency II Directive. *"The primary objective of valuation as set out in Article 75 of Directive 2009/138/EC requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the risk-based approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability."*

The values of the assets and liabilities in the IFRS financial statements have been used with some adjustments as outlined in the following sections. These adjustments are in line with the recommendations in the Technical Specifications. A comparison of asset figures under both Solvency II and IFRS is set out below:

Balance Sheet	As at 31 December 2016		
	SII	IFRS	Difference
ASSETS			
Intangible assets - computer software	-	42,807	(42,807)
Tangible assets:			
- land and buildings	6,562,838	6,562,838	-
- plant and equipment	226,757	226,757	-
Investments:			
- investment in associated undertaking	64,744	64,744	-
- investment property	1,187,500	1,187,500	-
- other investments:			
▪ equities	8,187,807	8,187,807	-
▪ bonds	7,011,533	6,953,674	57,859
▪ loans and receivables	1,165,889	1,165,823	66
Subordinated loan receivable	207,500	200,000	7,500
Deferred taxation	204,628	204,628	-
Reinsurers' share of technical provisions	2,621,195	4,562,329	(1,941,134)
Deferred acquisition costs	-	944,223	(944,223)
Debtors:			
- arising out of direct operations	5,431,795	5,431,795	-
- other debtors	90,323	90,323	-
Prepayments and accrued income	71,159	136,584	(65,425)
Cash at bank and in hand	5,107,891	5,107,891	-
TOTAL ASSETS	**38,141,559**	**41,069,723**	

Balance Sheet	As at 31 December 2016		
	SII	IFRS	Difference
CAPITAL AND RESERVES			
Called up share capital	5,000,000	5,000,000	-
Revaluation reserve	3,035,686	3,035,686	-
Profit and loss account	9,462,901	9,462,901	-
Reconciliation reserve	324,616		324,616
TOTAL EQUITY	**17,823,203**	**17,498,587**	
LIABILITIES			
Technical Provisions		19,135,894	(19,135,894)
- best estimate	16,010,167		16,010,167
- risk margin	541,746		541,746
Deferred taxation	801,792	627,000	174,792
Creditors:			
- interest-bearing borrowings	304,218	304,218	-
- creditors arising out of direct insurance operations	1,854,752	1,854,752	-
- accruals	323,213	323,213	-
- deferred reinsurance commissions	-	843,591	(843,591)
Current taxation	482,468	482,468	-
TOTA LIABILITIES	**20,318,356**	**23,571,136**	
TOTAL EQUITIES AND LIABILITIES	**38,141,559**	**41,069,723**	

5.1 Assets

Intangible assets

The value of intangible assets has been removed from the Solvency II Balance Sheet in accordance with Article 12 of the Regulation.

Land and buildings and Investment Property

Land and buildings and investment property were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have been stressed under the property risk module within the market risk module.

Tangible assets – plant and equipment

Plant and equipment were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These assets have been stressed as an Equity Type 2 within the equity risk module in line with clarifications issued by EIOPA.

Investments in associated undertaking

Investments in associated undertaking were valued in accordance with Article 8 of the Regulation by using the equity method of accounting as per IFRS. This has been classified as other equity in the SCR calculation and stressed under the equity risk module.

Equities

Equities were valued in accordance with Article 8 of the Regulation by using the last available quoted active market prices which is consistent with the valuation approach under IFRS. Equities were classified under "EEA or OECD Equities" and "Other Equities" and then stressed according to their classification under the equity risk module. Equities also include exposures in foreign currencies which were stressed under the currency risk module.

Bonds, Loans and receivables, and Subordinated loans receivable

Bonds, loans and receivables, and subordinated loans receivable were valued in accordance with Article 8 of the Regulations. Bonds and loans and receivables were valued using the last available quoted active market price and includes the value of accrued interest. Subordinated loans were valued using the cost approach and includes the value of accrued interest. This is consistent with the valuation approach under IFRS, with the exception that accrued interest is shown as a separate line item under IFRS.

These assets were stressed under the interest rate, spread and concentration risk modules under market risk. Bonds also include exposures in foreign currencies which were stressed under the currency risk module within market risk.

Deferred tax asset

Deferred tax asset have been valued in accordance with Article 15 of the Regulation and is consistent with the valuation approach under IFRS.

Deferred acquisition costs

Deferred acquisition costs have been removed from the Solvency II Balance Sheet as they are included as part of the calculations to arrive to the Best Estimate Technical Provisions figure.

Debtors and Cash at bank and in hand

Trade and other receivables and cash at bank and in hand were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have been stressed under the counterparty default risk module. Cash at bank also includes exposures in foreign currencies which are stressed under the currency risk module within market risk.

Prepayments and accrued income

Prepayments were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have not been stressed in the SCR computation. Accrued interest on bonds, loans and receivables and subordinated loan receivables have been removed from this line item and added to the respective line item under the Solvency II balance sheet to arrive to the Solvency II valuation of the respective line item. Accrued interest has therefore been stressed under the modules of the above items.

Loss absorbing capacity of deferred taxes under Solvency II

The value of the SCR has been reduced to allow for the loss absorbing capacity of deferred taxes ("LACDT"). This adjustment has been calculated in accordance with Article 207 of the Regulation and is equal to the change in value of deferred taxes that would result from an instantaneous loss of an amount that is equal to the Basic SCR plus Operational risk.

5.2 Technical Provisions

The table below shows the change in technical provisions from the financial statement to Solvency II by line of business:

SII Line of Business	Financial Statements Gross claims reserving including IBNR	UPR	Total	1 Adjustments to determine the Best Estimate	2 Risk Margin	Gross SII Technical Provisions
Fire and other damage to property insurance	1,879,674	1,846,532	3,726,206	(1,382,945)	19,260	2,362,521
General liability insurance	496,718	286,745	783,463	(288,911)	24,258	518,810
Other motor insurance	1,430,232	1,531,386	2,961,618	(455,119)	114,407	2,620,906
Motor vehicle liability insurance	6,316,146	2,814,670	9,130,816	(746,255)	276,810	8,661,371
Workers' compensation insurance	1,056,646	264,200	1,320,846	89,759	68,660	1,477,030
Other lines of business	634,588	578,357	1,212,945	(342,256)	38,351	911,275
Total	11,814,004	7,321,890	19,135,894	(3,125,727)	541,746	16,551,913

SII Line of Business	Gross SII Technical Provisions	3 Reinsurers share of SII technical provisions	4 Counterparty default adjustment	Net SII Technical Provisions
Fire and other damage to property insurance	2,362,521	1,852,210	(4,223)	514,534
General liability insurance	518,810	(18,573)	96	537,287
Other motor insurance	2,620,906	(134,532)	455	2,754,983
Motor vehicle liability insurance	8,661,371	758,803	(2,666)	7,905,234
Workers' compensation insurance	1,477,030	(27,921)	153	1,504,798
Other lines of business	911,275	197,838	(445)	713,882
Total	16,551,913	2,627,825	(6,630)	13,930,718

Below is a description of each step of the change in technical provisions:

1. Adjustments to determine the Best Estimate Technical Provisions

1A. Margin over best estimate for outstanding claims and allowance for Solvency II expenses

The following standard actuarial methods were used to calculate the best estimate of claims reserves including expenses (i.e. booked reserves in the financial statements less the margin over the best estimate and allowance for expenses):

- Paid Chain Ladder Method
- Incurred Chain Ladder Method
- Paid Bornhuetter Ferguson Method
- Incurred Chain Ladder Method
- Expected Loss Ratio Method

In determining the best estimate using these methods, we have relied on:

- Claims triangles (constructed to include allocated and unallocated claims expenses) from 2000 – 2016
- Tail factors on the liability lines to allow for longer reporting and settlement delays associated with liability lines of business
- Expert Actuarial judgement where necessary particular in respect of:
    - Emerging trends or events which will not be present in the historic claim data used to project ultimate losses i.e. the additional allowances made for Events not in Data ("ENID's")/ Binary Events; and
    - Selection of development patterns, Initial Expected Loss ratios and method selections.

Note that allocated and unallocated expenses associated with settling claims are implicitly included in the claims projections due to the construction of the claims triangles, Claims triangles used in the projections include paid and incurred Allocated Loss Adjustment Expenses ("ALAE") amounts and therefore the claims projections implicitly include costs associated with future claims expenses. The ALAE triangles are constructed based on an analysis carried out such that the claims department salaries and overheads such as property costs, claims management etc. are aggregated to a global Paid ALAE figure. This amount is divided by the total Gross Claims Paid figure to obtain the percentage to be applied to the pure paid claims triangles resulting in an expense allowance by line of business.

1B. Release of expected profits in UPR

In calculating the premium provision, a loss ratio based on loss history (claims triangles as mentioned above) and the performance of the current accident year to date was applied. In all cases, the loss ratio calculated for the accident year 2016 was applied to the UPR to estimate claims arising from unexpired risks. This loss ratio makes an implicit allowance for claims expenses as they are incorporated in the triangulated data as discussed above.

An allowance for binary events and expenses associated with servicing of in force policies has been made for within the premium provision.

1C. Discounting

Both claims and premium provisions cashflows were projected based on claims payment pattern history and premium income history. These were discounted by the year end 2016 yield curves as published by EIOPA.

2. Risk Margin

The risk margin was calculated without simplification. Each component of the SCR was calculated at each future date assuming no future business was written. This was then discounted using the year end 2016 yield curve and a 6% cost of capital was applied.

The calculation of the risk margin relies on the cashflow assumptions used to calculate the technical provisions.

Non-Life Underwriting Risk and Health Underwriting Risk was calculated individually for each line of business. The risk margin was allocated to each line of business based on the underwriting risk used to determine it.

3. Reinsurers' share of SII Technical Provisions

This was calculated by first determining the net technical provisions. To derive the net results, we primarily used net to gross paid, ultimate claims, reserve and premium ratios (mostly the incurred or premium ratios were selected) which we applied to the gross ultimate claims. Net premium provisions were determined by using the net loss ratio for underwriting year 2016 as implied from the net claims methodology above.

4. Counterparty default adjustment

Counterparty default risk was calculated in line with the technical specifications using the assumptions outlined in the assumptions table below.

Uncertainty regarding technical provisions

- The choice of loss ratio for the premium provision is informed by historic and current year's to date accident year loss ratios. The unearned portion of the 2016 underwriting year may develop adversely or more favourable than the loss ratios selected.
- The development patterns used to calculate the best estimate of claims provisions are based on historical claims settlement patterns. Future claims development may not reflect historic development.
- The reinsurers' share of technical provisions is based on historic net loss ratios. The number of clams and relative size of each claim could have an impact on the net technical provision not captured in the loss ratio.

- The payment patterns used in determining the cashflows may not be reflected in reality, particularly with respect to claims payments. They are however based on historic claims settlement patterns and can be considered a best estimate.
- Future claims payments will be impacted by future claims inflation. An allowance for claims inflation is implicit within the projection methods we have used and we have not made any additional explicit adjustments to our selected development patterns.
- Direct claims handling expenses can be expected to impact future claim payments. Our estimates are intended to allow fully for future direct expenses by using the rate implicit within the historical claims development. Therefore, no explicit adjustment has been made for future direct expenses.
- The counterparty default adjustment is estimated and no analysis has been carried out on the actual probability of default or loss given default of the reinsurers.
- Other sources of uncertainty include but are not limited to:
    - Change in future claims / regulatory environment
    - Actual future claims inflation, whether from economic or non-economic drivers, may differ from that implied by historic data or explicit inflation assumptions where these have been made;
    - Latent claims emergence;
    - Changes in mix of business over time, for example due to underwriting action; and
    - Some long tailed segments that are material in reserve terms have limited / low volumes of historic data which may reduce reliability of historic claims experience.

The tables below show the assumptions used to determine the Solvency II technical provisions:

	Past Claims Settlement Pattern											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fire and other damage to property insurance	80%	13%	5%	2%	0%	0%	0%	0%	0%	0%	0%	0%
General liability insurance	40%	20%	14%	5%	3%	3%	4%	4%	3%	2%	1%	1%
Other motor insurance	74%	5%	4%	4%	8%	2%	2%	1%	1%	0%	0%	0%
Motor vehicle liability insurance	49%	18%	8%	6%	6%	4%	4%	1%	2%	2%	0%	0%
Workers' compensation insurance	18%	13%	14%	13%	10%	9%	4%	4%	3%	3%	3%	4%

	Future Claims Settlement Pattern											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fire and other damage to property insurance	47%	43%	6%	2%	2%	0%	0%	0%	0%	0%	0%	0%
General liability insurance	27%	31%	21%	3%	7%	2%	0%	0%	0%	2%	2%	5%
Other motor insurance	70%	27%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Motor vehicle liability insurance	52%	34%	6%	2%	2%	2%	0%	1%	0%	0%	1%	0%
Workers' compensation insurance	4%	22%	10%	8%	11%	10%	6%	1%	1%	4%	4%	20%

	Commission Rate	Gross Loss Ratio	Net Loss Ratio	Probability of Default	Loss Given Default
Fire and other damage to property insurance	6%	28%	53%	0.24%	60%
General liability insurance	5%	22%	30%	0.24%	60%
Other motor insurance	5%	79%	89%	0.24%	60%
Motor vehicle liability insurance	5%	86%	96%	0.24%	60%
Workers' compensation insurance	6%	65%	76%	0.24%	60%

5.3 Other Liabilities

Deferred tax liability

The deferred tax liability has increased to reflect the movement from IFRS to Solvency II. The increase in own funds, as outlined by a positive Reconciliation Reserve in the Solvency II Balance Sheet, has been taxed at 35% and a related deferred tax liability has been created on the Balance Sheet.

Deferred reinsurance commissions

Deferred reinsurance commissions have been removed from the Solvency II Balance Sheet as they are included as part of the calculations to arrive to the Best Estimate Technical Provisions figure.

Other liabilities

All other liabilities have been valued in accordance with Article 8 of the Regulation and is consistent with the value approach taken under IFRS.

6. Capital Management

The Company has implemented a Capital Management Policy in order to be able to comply with future requirements relating to own funds and capital management. Under Solvency II, sound and prudent management of the Company is implemented in the first instance through a Capital Management Policy. The policy describes the policies and practices to support the Company's business strategy and to ensure that it is sufficiently capitalised to withstand even severe macroeconomic recessions.

6.1 Own Funds

The Company's own funds are made up as follows:

	Tier 1
Called up share capital	5,000,000
Revaluation reserve	3,035,686
Profit and loss account	9,462,901
Reconciliation reserve	324,616
TOTAL OWN FUNDS	**17,823,203**

The Company has assessed the composition of its own fund items as at 31st December 2016 and considers that it is of the highest quality and comprises solely of Tier 1 Capital. Processes and procedures have been put in place so that any additional share capital is analysed prior to its injection. The analysis shall include the impact the classification will have on the Minimum and Solvency Capital Requirements and be presented to the Executive Directors for their review.

The Board of Directors take due care that the dividend distributions of the Company provide an adequate return on capital employed and also do not disrupt the operations or impact its ability to meet regulatory capital requirements.

Based on the calculations within the 2016 ORSA, the Directors have determined that the Company has sufficient eligible own funds to:

- continue its business on a going concern basis over the business planning time horizon
- meet its regulatory solvency target (100% SCR) for its current and projected business activities over the business planning time horizon

The following table provides a reconciliation between the Solvency II Own Funds and the Total Equity as per IFRS:

Reconciliation of Own Funds to Equity in the Financial Statements as at 31 December 2016		
Solvency II Own Funds		**17,823,203**
Items not recognised in the Financial Statements:		
- Risk Margin	**541,746**	
		541,746
Items not recognised in the Solvency II Balance Sheet:		
- Intangible assets	**42,807**	
- Deferred acquisition costs	**944,223**	
- Deferred reinsurance commissions	**(843,591)**	
		143,439
Change in valuation of Technical Provisions from		
Best Estimate calculation		**(1,184,593)**
Deferred tax movements		**174,792**
Resulting figure		**17,498,587**
Total Equity as per IFRS		**17,498,587**
Difference		**-**

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

6.2 Solvency Capital Requirement and Minimum Capital Requirement

The amount of the Company's Solvency Capital Requirement and Minimum Capital Requirement at the end of the reporting period are €6,144,726 and €3,700,000 respectively.

The table below shows the components of the SCR (using the Standard Formula) at 31 December 2015 and 2016:

Sub-modules SCR	2016	2015
Market	6,084,774	5,387,149
Default	2,172,812	1,304,745
Health	690,349	714,108
Non-life	3,361,776	3,107,086
Diversification Benefit	(3,336,591)	(2,817,987)
Basic SCR	**8,973,120**	**7,695,101**

SCR	2016	2015
Basic SCR	8,973,120	7,695,101
Operational	480,305	448,141
LACDT	(3,308,699)	(2,850,135)
Total	**6,144,726**	**5,293,107**

The Company uses EIOPA's Solvency II Standard Formula. It does not use Company specific parameters and does not use simplified calculations in its computation.

6.3 Any Other Information

The Company applies the Standard formula model and does not use an internal model to calculate the Solvency Capital Requirement.

There was no breach of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

Appendix I: Annual Quantitative Reporting Templates

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	205
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	6,790
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	17,617
Property (other than for own use)	**R0080**	1,188
Holdings in related undertakings, including participations	**R0090**	65
Equities	**R0100**	7,267
Equities - listed	**R0110**	7,121
Equities - unlisted	**R0120**	146
Bonds	**R0130**	7,012
Government Bonds	**R0140**	672
Corporate Bonds	**R0150**	6,339
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	921
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	1,166
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	208
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	208
Reinsurance recoverables from:	**R0270**	2,621
Non-life and health similar to non-life	**R0280**	2,621
Non-life excluding health	**R0290**	2,629
Health similar to non-life	**R0300**	-7
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	5,432
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	90
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	5,108
Any other assets, not elsewhere shown	**R0420**	71
Total assets	**R0500**	38,142

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	16,552
Technical provisions – non-life (excluding health)	**R0520**	14,708
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	14,260
Risk margin	**R0550**	448
Technical provisions - health (similar to non-life)	**R0560**	1,844
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	1,750
Risk margin	**R0590**	94
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	802
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	304
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	1,145
Reinsurance payables	**R0830**	710
Payables (trade, not insurance)	**R0840**	806
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	20,318
Excess of assets over liabilities	**R1000**	17,823

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and a**						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**
Premiums written								
Gross - Direct Business	**R0110**	263	238	510	5,912	3,294	623	4,021
Gross - Proportional reinsurance accepted	**R0120**							
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	134	9	31	295	164	433	3,610
Net	**R0200**	128	229	479	5,617	3,130	190	412
Premiums earned								
Gross - Direct Business	**R0210**	277	233	470	5,598	3,115	624	3,864
Gross - Proportional reinsurance accepted	**R0220**							
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	142	9	31	295	164	434	3,488
Net	**R0300**	135	224	440	5,303	2,951	191	376
Claims incurred								
Gross - Direct Business	**R0310**	44	30	122	3,687	1,805	332	783
Gross - Proportional reinsurance accepted	**R0320**							
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	22		44	575	51	172	645
Net	**R0400**	22	30	79	3,112	1,754	161	138
Changes in other technical provisions								
Gross - Direct Business	**R0410**							
Gross - Proportional reinsurance accepted	**R0420**							
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**							
Net	**R0500**							
Expenses incurred	**R0550**	-1	83	164	1,671	941	65	-609
Other expenses	**R1200**							
Total expenses	**R1300**							

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		ccepted proportional reinsurance)			
		General liability insurance	Assistance	Miscellaneous financial loss	Total
		C0080	**C0110**	**C0120**	**C0200**
Premiums written					
Gross - Direct Business	**R0110**	553	99	180	15,693
Gross - Proportional reinsurance accepted	**R0120**				
Gross - Non-proportional reinsurance accepted	**R0130**				
Reinsurers' share	**R0140**	30	5	151	4,861
Net	**R0200**	524	94	29	10,832
Premiums earned					
Gross - Direct Business	**R0210**	499	88	170	14,939
Gross - Proportional reinsurance accepted	**R0220**				
Gross - Non-proportional reinsurance accepted	**R0230**				
Reinsurers' share	**R0240**	30	5	142	4,738
Net	**R0300**	469	83	28	10,200
Claims incurred					
Gross - Direct Business	**R0310**	62	35	9	6,909
Gross - Proportional reinsurance accepted	**R0320**				
Gross - Non-proportional reinsurance accepted	**R0330**				
Reinsurers' share	**R0340**			7	1,515
Net	**R0400**	62	35	2	5,394
Changes in other technical provisions					
Gross - Direct Business	**R0410**				
Gross - Proportional reinsurance accepted	**R0420**				
Gross - Non- proportional reinsurance accepted	**R0430**				
Reinsurers'share	**R0440**				
Net	**R0500**				
Expenses incurred	**R0550**	133	25	-14	2,459
Other expenses	**R1200**				
Total expenses	**R1300**				2,459

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance										
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0120	C0130	C0180
Technical provisions calculated as a whole	R0010											
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050											
Technical provisions calculated as a sum of BE and RM												
Best estimate												
Premium provisions												
Gross	R0060	43	32	172	2,442	1,217	107	546	65	23	7	4,653
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	16	-7	-28	-251	-145	-25	391	-20	-4	-2	-76
Net Best Estimate of Premium Provisions	R0150	27	39	199	2,693	1,361	132	156	85	28	8	4,729
Claims provisions												
Gross	R0160	87	179	1,237	5,943	1,290	281	1,797	429	20	94	11,357
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	24	-12		1,007	10	130	1,457	2		78	2,697
Net Best Estimate of Claims Provisions	R0250	64	191	1,237	4,936	1,279	150	339	428	20	16	8,660
Total Best estimate - gross	R0260	130	211	1,408	8,385	2,507	388	2,343	495	43	101	16,010
Total Best estimate - net	R0270	91	230	1,436	7,628	2,641	283	495	513	47	25	13,389
Risk margin	R0280	8	17	69	277	114	9	19	24	3	1	542
Amount of the transitional on Technical Provisions												
Technical Provisions calculated as a whole	R0290											
Best estimate	R0300											
Risk margin	R0310											
Technical provisions - total												
Technical provisions - total	R0320	139	228	1,477	8,661	2,621	397	2,363	519	46	102	16,552
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	40	-19	-28	756	-134	105	1,848	-18	-4	76	2,621
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	99	247	1,505	7,905	2,755	292	515	537	50	26	13,931

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident year [AY]

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year													
	Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**In Current year**	**Sum of years (cumulative)**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											74,868	**R0100**	74,868	74,868
N-9	**R0160**	2,837,520	1,867,509	476,866	577,407	108,966	34,951	12,330	21,456	18,039	333,105		**R0160**	333,105	6,288,149
N-8	**R0170**	3,247,196	1,664,445	224,569	113,615	57,364	-441	5,123	30,965	14,353			**R0170**	14,353	5,357,189
N-7	**R0180**	3,665,143	1,684,442	211,492	91,409	80,058	14,768	15,246	19,285				**R0180**	19,285	5,781,843
N-6	**R0190**	3,350,702	1,994,378	232,323	88,137	42,819	119,725	19,804					**R0190**	19,804	5,847,888
N-5	**R0200**	3,353,798	1,601,045	200,609	81,315	62,194	-2,309						**R0200**	-2,309	5,296,652
N-4	**R0210**	3,472,405	1,931,968	555,776	108,781	170,440							**R0210**	170,440	6,239,369
N-3	**R0220**	3,169,154	2,164,911	369,301	224,293								**R0220**	224,293	5,927,659
N-2	**R0230**	3,182,644	2,023,759	273,833									**R0230**	273,833	5,480,236
N-1	**R0240**	3,287,896	2,170,823										**R0240**	2,170,823	5,458,719
N	**R0250**	3,352,095											**R0250**	3,352,095	3,352,095
												Total	**R0260**	6,650,592	55,104,669

Annex I
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												
	Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**Year end (discounted**
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**											669,234	**R0100**	669,380
N-9	**R0160**										181,048		**R0160**	181,076
N-8	**R0170**									71,294			**R0170**	71,378
N-7	**R0180**								572,031				**R0180**	572,875
N-6	**R0190**							618,945					**R0190**	619,841
N-5	**R0200**						584,951						**R0200**	585,496
N-4	**R0210**					1,572,431							**R0210**	1,574,247
N-3	**R0220**				290,483								**R0220**	290,654
N-2	**R0230**			631,854									**R0230**	632,495
N-1	**R0240**		1,961,428										**R0240**	1,963,392
N	**R0250**	4,192,272											**R0250**	4,196,072
												Total	**R0260**	11,356,906

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	5,000	5,000			
Share premium account related to ordinary share capital	**R0030**					
Initial 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**	12,823	12,823			
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**					
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**	17,823	17,823			
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**					

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	17,823	17,823			
Total available own funds to meet the MCR	**R0510**	17,823	17,823			
Total eligible own funds to meet the SCR	**R0540**	17,823	17,823			
Total eligible own funds to meet the MCR	**R0550**	17,823	17,823			
SCR	**R0580**	6,145				
MCR	**R0600**	3,700				
Ratio of Eligible own funds to SCR	**R0620**	3				
Ratio of Eligible own funds to MCR	**R0640**	5				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	17,823	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	5,000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	12,823	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	786	
Total Expected profits included in future premiums (EPIFP)	**R0790**	786	

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	6,085		
Counterparty default risk	R0020	2,173		
Life underwriting risk	R0030			
Health underwriting risk	R0040	690		
Non-life underwriting risk	R0050	3,362		
Diversification	R0060	-3,337		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	8,973		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	480
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-3,309
Solvency capital requirement excluding capital add-on	R0200	6,145
Capital add-on already set	R0210	
Solvency capital requirement	R0220	6,145
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Annex I
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**	2,138

		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**	91	128
Income protection insurance and proportional reinsurance	**R0030**	230	229
Workers' compensation insurance and proportional reinsurance	**R0040**	1,436	479
Motor vehicle liability insurance and proportional reinsurance	**R0050**	7,628	5,617
Other motor insurance and proportional reinsurance	**R0060**	2,641	3,130
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	283	190
Fire and other damage to property insurance and proportional reinsurance	**R0080**	495	412
General liability insurance and proportional reinsurance	**R0090**	513	524
Credit and suretyship insurance and proportional reinsurance	**R0100**		
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**	47	94
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	25	29
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	**R0200**	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**		
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**		
Other life (re)insurance and health (re)insurance obligations	**R0240**		
Total capital at risk for all life (re)insurance obligations	**R0250**		

Overall MCR calculation

		C0070
Linear MCR	**R0300**	2,138
SCR	**R0310**	6,145
MCR cap	**R0320**	2,765
MCR floor	**R0330**	1,536
Combined MCR	**R0340**	2,138
Absolute floor of the MCR	**R0350**	3,700
		C0070
Minimum Capital Requirement	**R0400**	3,700