Elmo
INSURANCE

SOLVENCY & FINANCIAL CONDITION REPORT 2022

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Executive Summary

The Directors of Elmo Insurance Limited ("the Company" or "EIL") present the Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2022.

The principal activities of the Company are that of an insurance company licenced in terms of the Insurance Business Act, 1998 (Chapter 403 of the Laws of Malta) by the Malta Financial Services Authority ("MFSA") to write general business in Malta.

The aftermath of COVID-19 has presented insurance companies with a myriad of challenges. These challenges include increased claims costs, disrupted economies, and evolving customer behaviour. EIL had to adapt their strategies to address the challenges brought on by the COVID-19 pandemic to meet the evolving needs of its customers.

The global supply chain disruption following COVID-19 has led to an increase in motor claims due to several factors. Extended delivery times for replacement parts have resulted in longer repair durations, escalating repair costs, and higher claim payments. Additionally, a shortage of new vehicles has led to a rise in used car prices, further increasing claim settlement amounts in cases of total loss. EIL is focusing on enhancing claims management efficiency by working closely with repair networks and parts suppliers to mitigate the impact of supply chain challenges on motor insurance claims.

In response to the remote working trend in the aftermath of the pandemic, EIL has implemented changes to ensure smooth operations and mitigate associated risks. Cybersecurity measures have been enhanced to ensure that there is a secure, reliable digital infrastructure and collaboration tools to enable seamless communication and workflow management. Furthermore, EIL prioritized employee well-being by offering flexible work schedules and mental health support. By addressing technological, security, and employee engagement challenges, EIL is effectively adapting to the new remote work environment while maintaining productivity and service quality.

Business and Performance

During the year under review the Company registered a loss before tax of €2,669K compared to a profit before tax of €7,649K in 2021. The reversal in profitability is mainly attributable to a material loss incurred on EIL's investment portfolio and a drop in profitability of the technical account. The Company's net investment return for the year amounted to a loss of €3,431K, compared to a profit of €3,816K in 2021.

The Company's core insurance operations were negatively affected by a combination of both an increased frequency of severe claims across multiple business classes and a substantial inflationary increase in motor repair costs. The balance on the technical account excluding the related allocation of investment loss was a profit of €988K compared to a profit of €4,023K in 2021.

In view of the loss incurred in 2022, a tax credit amounting to €1,211K was reported for the year under review, compared to a tax charge of €2,656K last year.

Shareholders' funds amounted to €27,583K at 31 December 2022. At the end of 2021, shareholders' funds totalled €29,042K. In line with the Company's prudent dividend policy no dividends were distributed in 2022, whilst in 2021 €3,600K was distributed.

The Company remains strongly capitalised with a Solvency II Capital Requirement ratio of 263% as at 31 December 2022. This represents a significant strengthening on the previous year's margin of 236%.

Systems of Governance

EIL 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 highly qualified and experienced key function holders.

The Company has implemented numerous formal policies, which are reviewed on a yearly basis, systems and processes which are affected 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. Effective control of risks
5. A prudent approach to business
6. Compliance with applicable legislation and regulation.

The Company has established a sound control environment by adopting the 'Three Lines 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 Board of 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.

There have been no other material changes in the system of governance during 2022.

Risk Profile

The Company has adopted an effective framework for Enterprise Risk Management ("ERM") where enterprise risk is defined as all the risks, both internal and external affecting EIL's strategic objectives. EIL adopted an ERM framework, assessing all the risks which may affect its different operations, activities and objectives, by also addressing the interdependencies and interrelationships between risks. With EIL's 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 or the materialisation of a risk in one business area may increase the impact of risks in another business area.

The Company has adopted the new COSO ERM framework published in September 2017, which Includes five interrelated components essential for the development and execution of the business strategy that begins with the mission, vision and core values of the Company with the aim of creating an enhanced value. COSO's five components adopted by the Company are:

- Risk Governance and Culture
- Business Strategy
- Performance
- Review and Revisions
- Information, Communication and Reporting.

The Company has developed a risk register which formally acknowledges the risks identified by the Company, the impact and likelihood scores for each risk, the department/function responsible for overseeing such risks as well as the controls in place to mitigate the risks.

During 2022, the Company continued to enhance its risk management framework, including review, update and approval of the Business Continuity Management System, the Key Tolerance Limits and Gap Analysis with Strategic Operational Risks. All have been discussed with the Risk Management Committee and reported to the Board of Directors during 2022.

The aftermath of COVID-19 has triggered changes in the business environment of EIL and has increased a number of inherent risks, including Insurance risks, Market risk, Investment risk and Operational risk. EIL has accelerated the digital transformation efforts to enhance customer experience and streamline operations.

Solvency Position and Capital Management

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 2022 was as follows:

Solvency Position	2022 € '000s	2021 € '000s
Company's Own Funds	**28,014**	**29,266**
Solvency Capital Requirement	10,661	12,389
Solvency Margin cover	**263%**	**236%**
Minimum Capital Requirement	4,000	3,700
MCR cover	**700%**	**791%**

Sub-modules SCR	2022	2021
	€ '000s	€ '000s
Market	10,884	14,863
Default	2,772	2,330
Health	872	803
Non-life	5,917	5,112
Diversification Benefit	(5,228)	(5,018)
Basic SCR	**15,217**	**18,090**

SCR	2022	2021
	€ '000s	€ '000s
Basic SCR	15,217	18,090
Operational	906	844
LACDT	(5,462)	(6,546)
Total	**10,661**	**12,389**

The largest risk module under the SCR computation is market risk, mainly due to 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.

In comparison, the insurance risk is not material. 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 significantly reduces 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.

A. Business and Performance

A.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 the Insurance Business Act, 1998 (Chapter 403 of the Laws of Malta) 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, 9 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:	Triq l-Imdina, Zone 1 Central Business District, Birkirkara CBD 1010 Malta Tel: +356 2144 1155 www.mfsa.com.mt
Name of the external auditor:	PricewaterhouseCoopers
Contact details:	78 Mill Street Qormi Malta

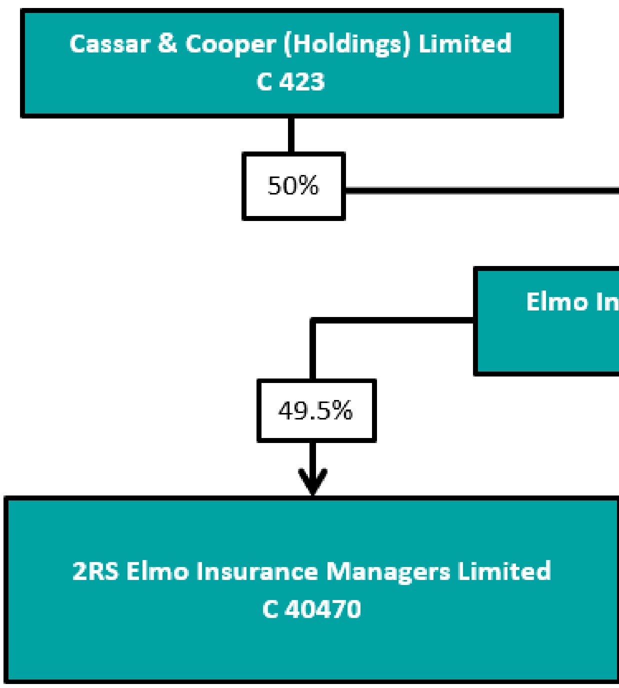
Material Lines of Business

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:



The company previously had shareholding of 1% in Elmo Agency Limited which was divested during the year as part of a group restructuring.

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 25 to the Company's Financial Statements.

A.2 Underwriting Performance

Gross written premium related to risks situated in Malta rose from €24,705K in 2021 to €27,070K in 2022, an increase of 9.6%.

Elmo Insurance Limited was formerly authorised by the MFSA to carry on the business of insurance under the EU's provision of Freedom of Services in several countries for Class 1 - Accident and Class 2 - Sickness. The Company stopped transacting new business under this authorisation with effect from 1 April 2022. Consequently, the applicable passporting rights have been terminated with the exception of one EU country. During the year, premiums for this business class accordingly declined to €60K from €3,648K in 2021. As a result, the Company's total gross written premium for the year reduced by 4.3% from €28,354K in 2021 to €27,130K in 2022.

The Company's overall net loss ratio increased from 59.5% in 2021 to 76.2% in 2022.

The Company's net operating expenses increased from €3,290K in 2021 to €3,754K in 2022. The Company's combined operating ratio increased from 76.0% in 2021 to 95.4% in 2022.

The tables below show a breakdown of the Company's underwriting performance for all material lines of business for the year ending 31 December 2022:

	Gross premiums written		Gross premiums earned	
	2022	2021	2022	2021
	€ '000s	€ '000s	€ '000s	€ '000s
Fire and other damage to property insurance	**7,737**	6,916	**7,969**	6,730
General liability insurance	**605**	3,913	**685**	4,273
Other motor insurance	**5,395**	5,063	**5,046**	4,967
Motor vehicle liability insurance	**9,852**	9,143	**9,057**	9,006
Workers' compensation insurance	**1,007**	1,092	**1,157**	987
Other lines of business	**2,533**	2,226	**2,449**	2,178
Total	**27,130**	28,354	**26,362**	28,141

	Gross claims incurred		Gross operating expenses		Reinsurance balances	
	2022	2021	2022	2021	2022	2021
	€ '000s	€ '000s	€ '000s	€ '000s	€ '000s	€ '000s
Fire and other damage to property insurance	**4,543**	1,334	**2,117**	1,930	**278**	2,308
General liability insurance	**169**	2,109	**178**	1,638	**66**	449
Other motor insurance	**3,559**	2,654	**1,277**	1,235	**244**	239
Motor vehicle liability insurance	**7,582**	6,068	**2,329**	2,224	**233**	(86)
Workers' compensation insurance	**442**	370	**303**	282	**228**	215
Other lines of business	**1,985**	639	**739**	582	**(363)**	578
Total	**18,281**	13,174	**6,943**	7,892	**686**	3,704

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

A.3 Investment Performance

The Company's net investment return for the year amounted to a loss of €3,431K, compared to a profit of €3,816K in 2021. Almost all of this result relates to fair value losses on the portfolio of investments. This performance reflects all that has occurred within the world's leading stock markets. The S&P 500 ended 2022 down by 19.3%, the DAX down by 12.3%, and the CAC down by 9.5%. The main reasons for this being the prolonged geopolitical conflict in Ukraine, persistent inflationary pressures and the resulting increased interest costs which have had a significant bearing on market sentiment.

The table below shows a breakdown of the Company's investment performance for the year ending 31 December 2022:

	2022 € '000s	2021 € '000s
Dividends received from investments at fair value through profit or loss	**284**	278
Net gains from financial investments at fair value through profit or loss	**(3,798)**	3,459
Interest receivable in relation to other loans and receivables	**(15)**	2
Share of gains of associated undertaking	**156**	149
Income from investment property	**64**	70
Net surplus arising on revaluation of investment property	**-**	-
	(3,309)	3,958
Investment expenses and charges	**(105)**	(129)
Interest and finance charges paid for lease liabilities	**(17)**	(13)
Total investment return	**(3,431)**	3,816

During 2022 the Company, did not have any investments in securitisation.

A.4 Other material income and expenses

The Company had no other material income and expenses and no leasing arrangements as at 31st December 2022.

A.5 Any other material information

Inflation

In 2022, the global economy faced significant challenges due to heightened inflation rates, which had a profound impact on the insurance industry's financial stability and operational processes. The increased cost of goods and services resulted in higher claim payments. This rise in claims put considerable pressure on insurers' profitability and necessitated a re-evaluation of pricing and underwriting strategies. Furthermore, the low-interest-rate environment hindered investment returns, which form a portion of the insurers' revenues.

EIL has adopted measures to adapt to inflationary pressures which range from reviewing the underwriting practices, effectively managing risk, and diversifying investment portfolios. Additionally, the Company is investing in digital transformation and innovative technologies with an aim to enhance the operations and decision-making processes and thus contributing to continued growth and resilience.

Russia's invasion of Ukraine

The Russian invasion of Ukraine in 2022 has had significant implications on the Insurance Sector worldwide, with considerable effects on operations, underwriting, and financial stability amidst an already complex economic landscape in the aftermath of COVID-19. The conflict has led to widespread geopolitical uncertainty, contributing to market volatility and increased risks for insurers.

The conflict has disrupted supply chains and trade flows, leading to higher claim demands from businesses suffering interruptions and losses. Additionally, the conflict has exacerbated inflationary pressures as energy prices have soared due to reduced gas supplies from Russia. This situation has indirectly impacted EIL as higher inflation rates led to increased claim payments and reduced investment returns. EIL has adopted several strategies to adapt to the rapidly changing risk environment, enhance risk management capabilities to ensure resilience and maintain the ability to serve customers effectively.

2023-2025 strategy

During 2022, the Company’s approach to designing the Strategic Plan for the period 2023 to 2025 utilised frameworks for resilience and sustainable business performance that can provide the secure, safe, and sustainable functioning of critical systems and services for the Company’s key stakeholders, namely its clients, employees and shareholders. The outcomes of the Company’s Strategic Plan 2023 to 2025 will embed resilience into the core business processes, growth strategy, and culture.

B. System of Governance

This section of the report sets out details regarding the Company's Board of Directors and Board sub-committees and the roles, responsibilities and governance of the Company's key functions, namely Risk, Compliance, Internal Audit and Actuarial functions. Other components and processes within the system of governance are also outlined, including the risk management system, fit and proper and outsourcing arrangements and the internal control system implemented by the Company.

B.1 General Information on the system of governance

B.1.1 Governance Structure

As part of its corporate governance, the Company has over the past several years implemented numerous formal board policies, the majority of which are reviewed on a yearly basis, systems and processes which are followed 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. Effective control of risks
5. A prudent approach to business
6. Compliance with applicable legislation and regulation.

The Board of Directors

The Company's corporate governance starts with the Board of Directors ("the Board") which has overall responsibility for the oversight of the management of EIL through providing leadership of the Company within a framework of prudent and effective controls which enables the effective management and assessment of the risks faced by the Company.

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, including what its plans and strategies are.

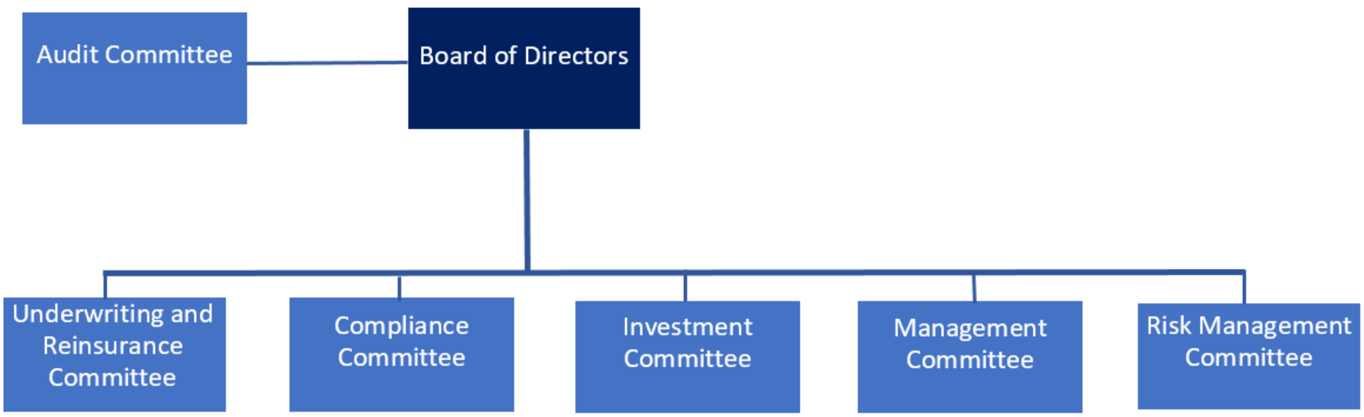
The primary objective of the Board is to ensure the company's prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the Board deals with challenges and issues relating to 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, non-executive directors and an independent non-executive director 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.

The Board is responsible for ensuring the effectiveness of the risk management system, setting risk appetite and tolerance limits as well as approving the main risk management strategies and policies. The Board has appointed an independent non-executive Director to oversee the risk management system on the Board's behalf.

Board Committees

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:



Audit Committee

The Audit Committee is performed by the Board of Directors and is responsible 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 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; and
- 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.

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, the chief operating officer, two senior managers 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.

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; and
- 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 creditworthiness 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 Board set up a Risk Management Committee to assist the Board in discharging its responsibilities for the management and controlling of the significant risks to which the Company may be exposed. 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 categorisation 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; and
- preparing reports on significant risk issues for the Board.

Technology Committee

This is an informal committee whose role 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; and
- provide advice and recommendations to the Board of Directors on technology strategies and investments.

Key Functions

As part of the Company’s system of governance, EIL has established the four key functions as required by the Solvency II Directive and Chapter 6 of the Insurance Rules. The Company’s four key functions, namely the risk management function, the compliance function, the actuarial function, and the internal audit function are held by four separate individuals to allow an appropriate segregation of duties, in order to operate objectively and independently of each other and of other functions within the Company. Furthermore, the four key functions are sufficiently resourced and staffed, have full access to information that is relevant to perform their duties and have direct reporting lines to the Board of Directors.

The information below outlines the main roles and responsibilities of the four key functions:

Risk Management Function

Implementing the Company’s Risk Management Framework by coordinating and supporting the identification, measurement, mitigation, monitoring and reporting of the Company’s material risks and assisting the Board of Directors in the effective operation of the risk management system.

Compliance Function

Identifying and assessing compliance risks; advising the Board of Directors on compliance matters; assessing the impact of any changes in legislation; establishing a compliance plan; and ensuring that the Company adheres to all applicable laws, rules and regulations.

Actuarial Function

Coordinating and monitoring the calculation of technical provisions, express an opinion on the underwriting policy and the Company's reinsurance arrangements and contribute to the effective implementation of the risk management system.

Internal Audit function

Taking a risk-based approach by providing an independent and objective assurance to EIL's Board of Directors and senior management. This assurance covers, inter alia, an assessment of the main components of the system of governance; the risk management system, including the risk management function and the ORSA process; the compliance function; the actuarial function; and the reinsurance management process.

B.1.2 Material Changes in the System of Governance

There have been no material changes in the system of governance during the year.

B.1.3 Remuneration Policy

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 that the remuneration arrangements do not encourage excessive risk-taking. Remuneration practices for Persons subject to the Remuneration Policy are established, implemented and maintained in line with the business and risk management strategy of the Company, its risk profile, objectives and risk management practices as well as the long-term interests and performance of the Company whilst avoiding conflicts of interest.

Principles of the remuneration policy

The following are EIL's principles of the remuneration policy:

- Where remuneration schemes include both fixed and variable components, such components shall be balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration to avoid staff being overly dependent on the variable components and to allow the Company to operate a fully flexible bonus policy, including the possibility of paying no variable component.
- Where variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall result of the Company.
- The payment of a substantial portion of the variable remuneration component, irrespective of the form in which it is to be paid, shall contain a flexible, deferred component that takes account of the nature and time horizon of the EIL's business: that deferral period shall not be less than three years and the period shall be correctly aligned with the nature of the business, its risks, and the activities of the respective employees.
- The financial and non-financial criteria shall be considered when assessing an individual's performance.
- The measurement of performance, as a basis for variable remuneration, shall include a downward adjustment for exposure to current and future risks, considering the EIL's risk profile and the cost of capital.

- Termination payments shall be related to performance achieved over the whole period of activity and be designed in a way that does not reward failure.
- Persons subject to the Remuneration Policy shall commit to not using any personal hedging strategies or remuneration and liability-related insurance which would undermine the risk alignment effects embedded in their remuneration arrangement.

Variable Remuneration Performance Criteria

The variable part of remuneration of the staff engaged as key function holders referred to in Articles 269 to 272 of the Commission Delegated Regulation shall be independent from the performance of the operational units and areas that are submitted to their control.

Supplementary pension or early retirement schemes

EIL does not provide any supplementary pensions or early retirement schemes for the members of the Board and other Key Function holders.

B.1.4 Material Transactions during the period

There were no material transactions between the Company and EIL's shareholders, the Board of Directors and with persons who exercise a significant influence on the undertaking, other than remuneration and Director's fees.

B.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.

B.2.1 Policy framework for fit and proper requirements

EIL shall ensure that all persons who effectively run the undertaking or have other key functions are at all times fit and proper persons.

The Company shall assess fitness and propriety against four criteria:

a. competence;
b. reputation (comprising integrity and financial soundness);
c. conflicts of interest and independence of mind; and
d. time commitment

In deciding whether a person is fit and proper, the Company shall be satisfied that the person:

a. has the personal characteristics, including that of being of good repute and integrity (proper);
b. has the professional qualifications, and possesses the adequate level of competence, knowledge and experience (fit), required to enable such person to carry out his duties and perform his or her key function effectively and to enable sound and prudent management of the undertaking.

In accordance with the Company's Outsourcing Policy, where the Company outsources key functions, fit and proper procedures are to be applied in assessing persons employed by the service providers or sub-service providers to perform the outsourced key function.

B.2.2 Process for assessing fitness and propriety

Prior to the appointment of a Director, Chief Operating Officer, General Manager or a Group Financial Controller (Leadership), a Head of Department, a Senior Manager, a Key Function Holder or a Person Responsible for a Branch of the Company, the individual will be required to provide to the Company the following documentation:

a. a duly completed Personal Questionnaire (if role is subject to notification requirements to the MFSA);
b. a duly completed Conflict of Interest Questionnaire;
c. Curriculum Vitae;
d. copies of major qualification certificates;
e. copies of reference letters; and
f. copy of Police Conduct Certificate (In accordance with article 10 of the GDPR, the Police Conduct Certificate shall not be retained by the Company; and shall be duly returned to the employee).

The Board of Directors will consider whether the individual is 'fit and proper' for the role in question and subsequently notify the MFSA accordingly if required to, in terms of para 2.5.1 of Chapter 2 of the Insurance Rules.

The Company shall not merely base its assessment of a candidate's fitness on information provided to it by the candidate, but it shall adopt a proactive approach to the assessment by:

a. Confirming that the applicant does possess the qualifications claimed by requesting a copy of the qualification certificates, updated licenses or certificates to practice in cases where the licence or certificate is renewed from time to time and if the applicant is a member of a professional body, the Company shall request evidence of that membership.
b. Requesting, when available, references regarding the applicant's previous employment.
c. If the applicant has other involvements in other entities, the Company shall seek confirmation from the applicant that such involvements will not adversely impact the applicant's ability to perform the key function and shall ensure that such involvements do not conflict with the performance of the key function.
d. Assessing how the applicant's previous experience equips the applicant with the expertise and experience required for the performance of the key function.

The assessment of the fitness of individuals shall not be restricted to the recruitment stage. After employing the person, the Company shall ensure that the person maintains his/her qualifications or licences. Thus, in cases where the maintenance of a person's qualifications is dependent on completing continuing professional development (CPD), the Company may request the employee, on an annual basis to self-certify that he/she is compliant with the particular CPD requirements.

On annual basis the Board of Directors shall carry out a self-assessment and an assessment of the Chief Operating Officer, General Managers, Group Financial Controller, Heads of Departments, Senior Managers and Key Function Holders in order to confirm that these are still 'fit and proper' and that individuals with multiple appointments are able to dedicate enough time and resources to carry out their roles effectively.

B.3 Risk Management System including the Own Risk and Solvency Assessment

B.3.1 Description of the risk management system

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 effective 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 achieve the Company's strategic and business objectives.

For EIL's risk management system to be effective, the risk management system covers all significant risks of the Company and requires an appropriate risk management strategy which includes the risk management objectives and adequate risk management processes and reporting procedures.

Risk Management Strategy

EIL's risk management strategy includes the risk management objectives, key risk management principles, risk appetite framework and the assignment of responsibilities to risk owners across all the activities of the Company. Critical to an effective risk management strategy is its alignment to the Company's overall business strategy.

Processes and reporting procedures

The Company has in place processes and procedures to enable the Company to identify, measure, mitigate, monitor and report the material risks it is exposed to. Furthermore, internal reporting procedures and processes have been set up to ensure that the information on the effectiveness of the risk management system and the material risks faced by EIL are actively monitored and managed by all relevant staff and the Board. This includes the monitoring and reporting of Key Risk Indicators ('KRIs') and Key Performance Indicators ('KPIs') on a quarterly basis and reports submitted to the Risk Management Committee and to the Board on a regular basis.

The mission of the Risk Management Function is to promptly identify, measure, mitigate, monitor and report risks potentially affecting the achievement of strategic, operational and/or financial objectives. The Enterprise Risk Management (ERM) approach provides a platform for managing current and emerging risks and reporting early warning indicators, in order to support the long-term stability and growth of the Company.

<u>Risk Identification</u>

Risk identification is a key component of EIL's risk management process. As part of the annual risk assessment exercise, senior management and risk owners are requested to fill in a comprehensive risk assessment questionnaire as a first step to identify the material risks (current and emerging) which if materialised may have a direct or indirect impact on the achievement of the objectives and operations of their department and/or the Company. A risk assessment workshop and brainstorming exercise is also carried out to enable participants identify significant internal and external risks, through the sharing of information and active participation and discussion during the workshop. The risk assessment workshop facilitates the process of risk identification including the interdependencies and interrelationships between risks and the threats (negative impact) and opportunities (positive impact) on the achievement of EIL's strategic and operational objectives if the risk materialises.

All significant risks which are identified through the risk management process are documented within the risk register which is maintained by the Risk Management Function. The risk register includes the following information which links together the steps of the risk management process:

- Risk name;
- Risk description;
- Risk category;
- Risk consequences:
- Risk owner;
- Inherent impact and likelihood score and overall inherent risk score;
- Mitigation strategy and Controls in place to mitigate the risk;
- Type of Control;
- Control effectiveness rating;
- Residual impact and likelihood score and overall residual risk score;
- Key risk indicator;

A formal risk identification process is carried out at least on a yearly basis and regular updates are recorded during the year.

Risk Measurement

Risks are measured as it provides the Company with a greater understanding of the materiality of each risk. In particular, this step of the process allows the Company to:

- assess the impact and likelihood of a risk occurring;
- compare risks and prioritise them in terms of focus and attention that should be given to individual risks; and
- compare current level of risks with the risk appetite framework to determine whether any remedial action is necessary.

Risk measurement is carried out by determining both the inherent risks and the residual risks. Inherent risk scores are determined by not taking into account the controls in place. Residual risk scores are determined by taking into account the inherent risk scores, the controls in place and the effectiveness level of controls. The residual risk will indicate whether the net risk exposure is within the Risk Appetite of EIL. Should the net risk exposure, exceed the Risk Appetite of the Company, senior management will be required to take further action to reduce the likelihood and the impact of the risk to bring it within the risk appetite of EIL. Determining the impact and likelihood of a risk occurring should be carried out through discussion with Risk Owners and the Board should consider factors such as past internal and external events, personal experience and literature.

Risk Mitigation

A mitigation strategy must be determined to manage each material risk EIL is exposed to. Depending on the criticality of the risk and management's tolerance for risk, EIL must decide whether to *accept the risk*; *avoid the risk*; *reduce or control the risk*; *share or transfer the risk*. Risk owners must determine the list of controls/mitigations in place where management decided to *reduce or control* the likelihood and/or impact of the risk.

Risk Monitoring

The development of KRIs and monitoring of risks is an integral part of EIL's risk management process. Risk owners measure risks on a quarterly basis to comprehensively assess whether a risk exceeds its tolerance limit. The development of KRIs serve as warning signals to the management and the Board of EIL on any increasing risk exposures in the different areas of the Company.

Risk Reporting

This step of the risk management process involves the provision of timely and accurate management information to assist Management and the Board to:

- understand the risk profile of the Company and how it has changed over time;
- determine whether risk exposures are being managed in accordance with the risk appetite framework set by the Board;
- where risks are within the set tolerance limits, whether the controls in place are effective and, if not, how to manage the risks; and
- take action to mitigate unacceptable exposures to risk.

B.3.2 Implementation and integration of the Risk Management System in the organizational structure and in the decision-making process

The Company has adopted an effective framework for Enterprise Risk Management ("ERM") where enterprise risk is defined as all the risks, both internal and external affecting EIL's strategic objectives. EIL adopted an ERM framework, assessing all the risks which may affect its different operations, activities and objectives, by also addressing the interdependencies and interrelationships between risks. With EIL's 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 or the materialisation of a risk in one business area may increase the impact and/or likelihood of risks in another business area.

The Company has adopted the new COSO ERM framework published in September 2017, which Includes five interrelated components essential for the development and execution of the business strategy that begins with the mission, vision and core values of the Company with the aim of creating an enhanced value. Furthermore, the risk management system comprises of the risk strategy, risk appetite framework and processes and procedures, which are determined in line with the overall business strategy. A "feedback loop" system is in place as business continually evolves and requires that both strategy and risks are monitored, reviewed and re-evaluated. EIL's ERM facilitates the process of obtaining and sharing relevant information, from both internal and external sources, which flows up, down and across the Company.

The ERM Framework adopted by the Company comprises of the COSO's five components:

- **Risk Governance and Culture**

  Risk governance and culture together form a strong foundation for the ERM and basis for all other components of ERM. Risk governance sets the Company's tone at the top, reinforcing the importance of ERM, and establishing oversight responsibilities for it. Culture pertains to ethical values, desired behaviours, and understanding of risk in the Company. Culture is reflected in decision-making.

The primary responsibility for ERM lies with the Board that is ultimately accountable for reviewing the risk appetite and tolerance levels of EIL and for ensuring that management defines the roles and responsibilities, standards and guidance for employees. Risk Governance and culture is also achieved by holding employees at all levels responsible and accountable to the ERM and are motivated to escalate and report any risk events they may become aware of. Furthermore, the Board is responsible for overseeing the ERM framework and efforts are also being undertaken by EIL to align human resource development and retention to the core values of the Company.

- **Business Strategy**

The Company's ERM is integrated into the strategic planning exercise through the identification of the strengths, weaknesses, opportunities and threats ('SWOT') and the setting of the business strategy, strategic themes and objectives. The SWOT analysis gives EIL an insight into the internal and external factors and their impact on EIL's risks. Articulating risk appetite and tolerance limits is key and these are established and aligned with the business strategy. Business objectives allow strategy to be put into practice and shape the entity's day-to-day operations and priorities. Furthermore, EIL's business strategy is a key input during EIL's risk assessment process to ensure that the Company appropriately identifies, assesses and measures the key risks that may affect the achievement of EIL's strategic themes and objectives.

- **Performance**

Performance focuses on ERM practices that support EIL's decision making and the achievement of its strategic and business objectives. This component includes risk identification and assessment, risk response and interrelationship of risks.

Furthermore, the ORSA process continues to strengthen EIL's ERM framework, by assessing the Company's risk management processes, risk exposures and ensure that the Company can withstand financial and economic stresses. The output from the risk management system, and the ORSA process, is used across the Company in business decisions such as underwriting, reinsurance arrangements and investment decisions.

- **Review and Revision**

Review and Revision includes the monitoring enterprise risk management performance and analysing how well the enterprise risk management components are functioning over time and in light of substantial changes.

Monitoring provides insight into how well the Company has implemented ERM within the entity. The business objectives and the components of ERM may change over time as the entity adapts to shifting internal and external environments. In addition, current practices and processes may no longer apply, or may be deemed insufficient to support the achievement of new or updated business objectives.

The Company's Risk Management Function and Risk Management Committee is responsible to review EIL's Risk Management Framework on an annual basis to ensure that the framework, process and procedures are still fit for purpose. Furthermore, the ORSA report enhances monitoring efforts, the ability to make changes to the ERM framework and is also a benefit that allows ERM to achieve its goals and objectives.

- **Information, Communication and Reporting**

  The Company's risk management framework is designed to support decision-making by providing consistent, reliable and timely risk information, thereby protecting the business from undesired deviations from its risk appetite and tolerance limits. Senior management uses relevant information from both internal and external sources to support ERM. To ascertain the achievement of strategic and business objectives, the management of EIL is also required to prepare and present to the Board a list of KRIs and KPIs on a regular basis. Furthermore, the Risk Management Function of EIL communicates the Company's risk data and relevant information to the Board and senior management through regular emails and written reports during the quarterly Board meetings, risk management committee and monthly management meetings.

B.3.3 Own Risk and Solvency Assessment (ORSA)

The ORSA process forms an integral part of EIL's Risk Management System. 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 as set out in EIL's ORSA policy, whichever is the earlier.

The ultimate responsibility for carrying out the ORSA rests with the Board of Directors, hence it needs to ensure that the Company has an adequate Risk Management framework to identify, manage and monitor on an ongoing basis any risks facing the Company. The Board is also responsible to identify any changes to the risk environment in which the Company operates and ensure that any new/emerging risks are identified, mitigated and the impact assessed as early as possible.

In order for the Board to carry out the ORSA it needs to consider EIL's exposure to short term risks (one year) and medium-term risks (three years) and project its capital needs taking into account medium term risks. Consideration must be taken of the likely changes to the risk profile and business strategy over the projected period.

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; and
- assessment of potential stresses.

The Company conducts its own assessment of 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 Company's own assessment of overall solvency needs enables the Company to calculate the amount of capital required by taking into consideration all the material risks EIL is exposed to including reputational risks, strategic risks, cyber/IT risks, legal risks and liquidity risks to ensure that the Company holds the appropriate levels of capital.

The assessment of the Company's own risks forms an important part in the development and monitoring of EIL's business strategy and in 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 appetite and tolerance limits.

Stress tests and Scenario analysis are also carried out to assess EIL resilience to certain events. Stress tests and scenario analysis are selected by the Board with the input of the Risk Management Committee and senior management, taking into account EIL's strategic plan and objectives. A reverse stress test is also carried out to determine which adverse events may reduce EIL's SCR ratio below the Company's tolerance limit or cause significant financial distress. The results are reviewed by senior management and challenged by the Board and where necessary, management actions are established.

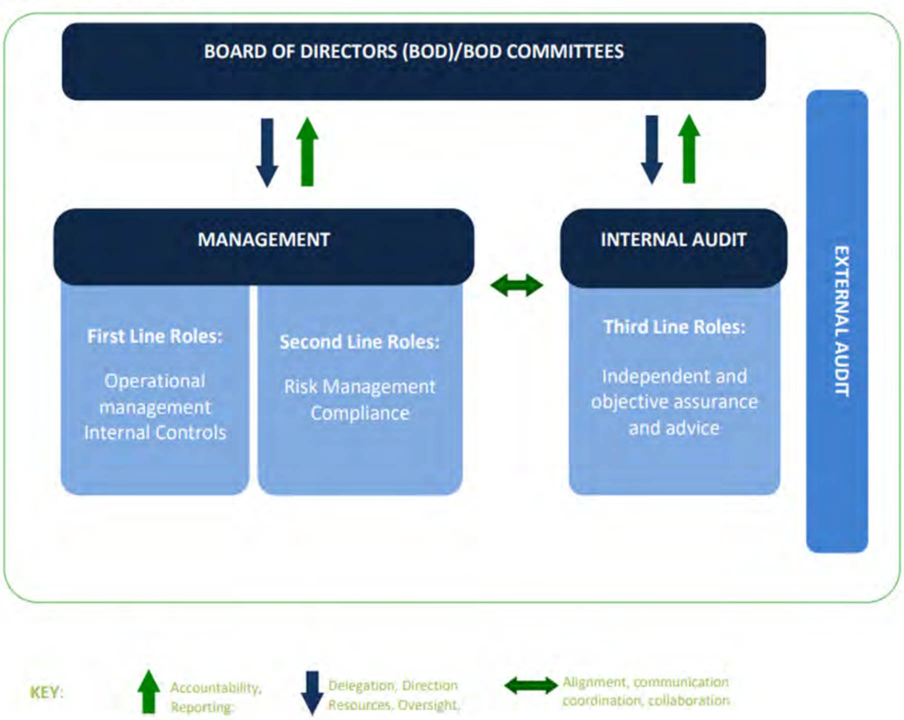
The ORSA is reviewed and approved by the Board of Directors. An ORSA workshop is also carried out to communicate the results and conclusions of the ORSA to all relevant staff.

B.4 Internal Control System

B.4.1. Description of the Internal Control Framework

An effective risk management system also requires to be supported by a suitable internal control system. To this effect, the Board of Directors has adopted the Three Lines Model which provides a simple and effective way to enhance communications on risk management and internal control by clarifying essential roles and responsibilities and this is depicted in the following diagram:

EIL's Three Lines Model



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.

Primary responsibility for the management of risks 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 function 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; and
- compliance with applicable laws and regulations.

B.4.2 Compliance Function

EIL's Compliance Function is established in house and is an independent control function at the second line of defence. The Compliance Function ensures that the Company and employees comply with all applicable laws, regulations, insurance rules, and internal policies; continuously monitor any amendments to the applicable legislation and regulations and assessing the potential impact of proposed legislation on the Company; monitor the Company's distribution network in order to ensure adherence with the applicable Insurance Distribution Rules including prudential requirements and continuous professional development requirements and the Rules contained in the Conduct of Business Rulebook relating to disclosures, product oversight and governance and sales processes and selling practices; and provides independent information and objective advice to the Board on regulatory issues and developments applicable to EIL.

The Company has established a Compliance Policy which identifies all areas of EIL's business activities that are susceptible to compliance risk and to implement the necessary controls to ensure that the Company complies with the applicable legislation and regulatory requirements. The Compliance Policy is reviewed on an annual basis and was last updated and approved by the Board on 24 February 2022.

B.5 Internal Audit Function

B.5.1 Implementation of the Internal Audit Function

The Internal Audit Function's role is to provide independent, objective assurance and consulting activity designated to add value and improve to the Company whilst ensuring effectiveness of the systems of internal control. The Internal Audit Function helps the Company to accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, control and governance processes. EIL's Internal Audit key function is outsourced, and the list of responsibilities are included within the Terms of Reference of the Internal Audit Function and the Internal Audit Policy. The Internal Audit Policy is reviewed on an annual basis and was last updated and approved by the Board on 23 November 2022.

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.

B.5.2 Independence and Objectivity of the Internal Audit Function

The Internal Audit Function shall be objective and independent from the operational functions and free from undue influence by any other functions including key functions. The persons carrying out the Internal Audit Function shall not assume responsibility for any other function.

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.

B.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 Board of Directors on the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions in the cases set out in Article 82 of Directive 2009/138/EC;
- 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 modelling underlying the calculation of the capital requirements and the ORSA.

The Company has outsourced the Actuarial Function and the Actuarial Function holder coordinates 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 EIL, including reporting whether there are any uncertainties connected to this calculation in the Actuarial Function Report.

B.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 processes and procedures in place, effort is made to maintain several activities or key 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.

The Company may also decide to outsource a critical or important function. The Company considers a critical or important function or activity as being “a function or activity that is fundamental to carrying out the core business as it would be unable to deliver its services to policyholders without the function or activity”. The Company shall not undertake the outsourcing of a critical or important operational function or activity in such a way as to lead to any of the following:

- Materially impairing the quality of the undertaking’s system of governance;
- Unduly increasing the operational risk;
- Impairing the ability of the competent authority to monitor the undertaking’s compliance with its obligations; or
- Undermining the continuous and satisfactory service to the policyholders.

Before outsourcing a key or a critical/important function, the Company should obtain a number of quotations from different service providers and carry out a proper due diligence process prior to any final decision being made as to whether to outsource a material business activity to ensure that the potential service provider has the ability, the capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the Company’s objectives and needs, as per Article 274(3)(a)of the Commission Delegated Regulation (EU) 2015/35. This due diligence process should address all material factors that would impact on the potential service provider's ability to perform the activity, including an assessment of the technical ability and capacity of the service provider to deliver as well as its reputation, experience with the proposed outsourced function and potential conflict of interest where the service provider is related to the Company or has arrangements with competitors. The Company shall also ensure that the service provider's risk management and internal control systems are adequate, that the service provider has the necessary financial resources to perform the additional tasks in a fit and proper way and that all their staff who will be involved in providing the outsourced function are sufficiently qualified and reliable. Regulatory compliance is also considered at every stage of the outsourcing process.

Furthermore, for all outsourcing arrangements, a legally binding agreement is established and documented, to clearly define the respective rights and obligations of the Company and the service provider. Outsourcing arrangement agreements must document all components of the outsourcing arrangement between the parties as per Article 274(4) of the Commission Delegated Regulation (EU) 2015/35. The full requirements of Article 274(4) are also included in Annex I to EIL's outsourcing policy. Furthermore, the agreement shall also include start and finish dates, service levels, frequency of payments, invoicing and payment procedures, dispute resolutions and confidentiality. Decisions to outsource a material business activity and to select the relevant service provider should be approved by the Board. The Board shall also authorise the terms and conditions within the outsourcing agreement.

The Company currently outsources a number of operational activities, which are considered to be critical, and two of its key functions, namely internal audit and actuarial function. The Company has outsourced the Internal Audit Function to KPMG in Malta and the Actuarial Function to KPMG in Ireland. EIL has designated two Board members responsible for the oversight of these two outsourced functions which are fit and proper to be able to provide appropriate challenge and oversight of the performance and results of the service providers and ensure that the functions are being carried out in an effective manner and in line with all Solvency II requirements.

B.8. Any other information

B.8.1 Evaluating the appropriateness of the system of governance

An internal review of EIL's System of Governance is carried out on an annual basis. Gaps identified following the review of MFSA's Corporate Governance Code shall be taken into account during the Strategic Planning exercise 2023-2025 such as Gaps related to new expectations over and above Solvency II requirements, such as embracing Environmental, Social and Governance standards in the company's strategy. The system of governance is considered to be adequate for the Company, taking into account the nature, scale and complexity of the risks inherent in EIL's business.

B.8.2 Other material information

There is no other material information regarding capital management which has not already been disclosed in the sections above.

C. 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; and
- 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 adverse changes in the value of assets and 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 inability to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons like unfavourable market conditions;

3. *Credit risk* – the risk that a counterparty will be unable to pay amounts in full when due;

4. *Market and Investment risk* – the risk of loss in value of the investment portfolio due to factors such as macroeconomic risk and political risk. This includes interest rate risk, currency risk and equity price risk;

5. *Liquidity risk* – the risk that the Company is unable to realise investments and other assets in order to settle their financial obligations at a reasonable cost when they fall due;

6. *Asset-liability management risk* – the risk refers to 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;

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

8. *Reputational risks (including regulatory and legal risks)* – the risk that adverse publicity regarding EIL's business practices, whether accurate or not, will cause a loss of consumer confidence in the integrity of the Company which may result in significant financial losses; and

9. *Strategic risks* – the risk of loss arising from the pursuit of an unsuccessful business plan, adverse business decisions, the improper implementation of those decisions, inadequate resource allocation or failure to respond well to changes in the business environment.

10. *ESG and sustainability risks* - ESG factors are increasingly gaining importance. The importance of ESG has been further highlighted in the aftermath of the COVID-19 pandemic, which has increased awareness of the importance of social and environmental sustainability. ESG risks range from financial, reputational, and regulatory risks. Environmental risks, such as climate change and natural disasters, can lead to increased claims costs. This risk can be compounded by the potential impact on insurers' investment portfolios, as assets may be negatively affected by environmental events. Social risks, such as changes in demographics may lead to changes in customer demand which can impact customer retention and brand value.

The Board considers the accumulation and interaction of insurance policies the Company writes and how these are to be managed within the underwriting and reserving, reinsurance and ALM 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 is considered during the risk assessment exercises when determining the impact and likelihood of each risk.

C.1 Underwriting and Reserving Risk

Risk Exposure

Underwriting and reserving risks may arise from the following sub-categories:

Insufficient Premium: The risk of earning lower premiums compared to previous periods due to inadequate or inappropriate (lower) product pricing, bad reputation, insurance policy not meeting the demands and needs of target market, lack of marketing, and an economic slowdown.

Product Design risk: Product defects due to inadequate product design, including defining the target market, identifying insurable risks, determining key product features, distribution channel and regular product review and monitoring in respect of new or significantly adapted products.

Underwriting of Highly Technical Insurance risk*:* Inadequate or inappropriate underwriting. The risk of incurring underwriting losses due to the lack of technical knowledge and understanding on particular and highly technical insurance policies and documentation. May also be due to failure to comply with the underwriting guidelines, including staff operating outside of their delegated authority.

Reserving risk: The risk of technical provisions established being insufficient to cover losses that have already been incurred. This may be due to inadequate or inappropriate reserving techniques including unforeseen, unknown or unintended liabilities that may occur.

Higher than estimated frequency and severity of losses: The risk of insured losses being more frequent and higher than our expectations, such as increasing traffic accidents and more fatalities, increased rates of construction accidents, changes in legislation, climate change (freak storms) and other natural or man-made catastrophes (including earthquake, tsunami, riots, strikes, civil commotion, explosion, pandemic). This may also be due to inadequate or inappropriate claims management including overpayment, failure to collect recoveries, fraudulent misrepresentation or staff operating outside of their delegated authority.

Insurance concentration risk: Adverse concentration exposure, due to lack of diversification of the overall insurance portfolio. For example, geographical exposure, catastrophe exposure, underwriting segment factor, industry or distribution channel.

The Company writes all classes of general insurance business (excluding Classes 5 – Aircraft; 14 – Credit; 15 – Suretyship and 18 - Assistance) in relation to risks situated in Malta, with business generated through the following channels: in-house sales and branches, tied insurance intermediaries and insurance brokers, and aims at attaining a good balance between motor and non-motor classes. The Company has a strong share in the engineering – construction insurance classes. The Company was formerly authorised by the MFSA to carry on the business of insurance under the EU's provision of Freedom of Services in several countries for Class 1 - Accident and Class 2 - Sickness. The Company stopped transacting new business under this authorisation with effect from 1 April 2022. Consequently, the applicable passporting rights have been terminated with the exception of one EU country. EIL has passporting rights by way of the freedom of service in Greece for the following lines of business: Class 8 – Fire and natural forces, Class 9 – other damage to property, and Class 13 – General liability.

Every quarter, EIL measures and assesses its exposure to underwriting risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for non-life and health underwriting risks. Additionally, on an annual basis as part of the ORSA process, the Company also measures and assesses its exposure to underwriting risks using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors underwriting and reserving risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis. The Russian invasion of Ukraine and inflation led to increased claims payment and necessitated a re-evaluation of pricing and underwriting strategies.

Risk Concentration

Underwriting risk concentration may occur due to geographical exposure, catastrophe exposure, underwriting segment factor, industry or distribution channel. EIL has a well-diversified insurance portfolio, however the largest concentration of underwriting risk relate to the geographical area since a large proportion of EIL's risks are situated in Malta.

Risk Mitigation

The directors manage exposure to insurance risk through an Underwriting and Reinsurance Committee 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; and

- 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 Underwriting and Reinsurance Committee 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. To mitigate underwriting and reserving risks, the Underwriting and Reinsurance Committee is also responsible to assume product oversight and governance responsibilities assigned to it by the Board of Directors in terms of the Company's Product Oversight and Governance Policy and it is also responsible to ensure that there is an adequate risk survey capability.

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.

The Company also has in place several reinsurance arrangements to limit its exposure to single or multiple large risks, including catastrophes. The Company reinsures that portion of the underwritten risks above its risk appetite 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 risk management assessment which takes into consideration the risk being covered and sums insured.

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.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of all underwriting and reserving risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle. The Risk Management Committee also monitors the effectiveness of the underwriting and reserving risk mitigations through the monitoring of the KRIs and KPIs.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.2 Market Risk

Risk Exposure

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

Interest Rate risk: Change of value of investment portfolio due to changes in interest rates and low rate of return on fixed income instruments.

Equity Price risk: Change of value of investment portfolio from changes in equity prices due to market volatility arising from macro-economic environment and overconcentration to a particular counterparty, geographical area or industry.

Currency risk: Change of value of investment portfolio from changes in exchange rates arising from macro-economic environment and overconcentration to a particular currency.

Credit Spread risk: Fixed-income assets, such as bonds, may lose value if credit spreads widen due to changes in the creditworthiness of the issuer, changes in the macro-economic environment and other movements in investments markets.

Property Price risk: The risk of a decrease in property values.

Every quarter, EIL measures and assesses its exposure to market risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for market risk. Additionally, on an annual basis as part of the ORSA process, the Company also measures and assesses its exposure to market and investment risks using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors investment risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis. Additionally, on a monthly basis during the Investment Committee meetings, the Investment Committee members review and assess the composition of the investment portfolio to ensure that it continues to be adequately diversified and spread in line with the regulatory requirements and with the Company's investment policy guidelines and thresholds.

Prudent person principle

The Company's investment policy ensures its continued compliance with the Prudent Person Principle (PPP) as laid down in Article 132 of the Directive 2009/138/EC. The Prudent Person Principle requires companies to invest in a manner ensuring security, quality, liquidity and profitability of the investment portfolio and to also have a well-diversified portfolio.

The Company's current investment portfolio is prudent and consistent with the portfolio guidelines and criteria established in the Investment policy guidelines approved by the Board of Directors. The investment portfolio of EIL provides an optimal asset allocation allowing the maximisation of the levels of security, quality, liquidity and profitability. This is achieved through the well-diversified investment portfolio given the Company's investments in property; equities; bonds; and cash and deposits, as well as setting sectoral limits and exposure limits with regards to investment in any one counterparty. Furthermore, the Company avoids investments in derivatives and similar commitments as it has no appetite for such complex investment instruments.

Risk Concentration

Market risk concentration may occur due to lack of diversification in the investment portfolio, which may lead to a large exposure in a foreign currency, asset class or issuer. EIL holds a well-diversified investment portfolio in line with the established Investment Policy guidelines, and there were no material market risk concentrations as at 31 December 2022.

Risk Mitigation

Market and Investment risks are managed through the Company's Investment Committee which sets out investment guidelines which are approved by the Board of Directors and regularly reviewed. The investment guidelines set out the parameters for investment.

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 debt security.

The risk of equity price volatility is managed by entering into a diverse range of investments including equities and collective investment schemes. EIL 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.

The Company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. The investment guidelines set allowable thresholds with regards to the Company's exposure to foreign exchange risk.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of market and investment risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle. The Risk Management Committee also monitors the effectiveness of the market risk mitigations through the monitoring of the KRIs and KPIs.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.3 Credit Risk

Risk Exposure

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Credit and counterparty default risks may arise from the following sub-categories:

Reinsurance credit risk: Default of a reinsurer which results in exposure to claims and loss of recoverable balances.

Intermediaries, policyholders and co-insurers credit risk: Default of an intermediary, policyholder or a co-insurer resulting in loss of recoverable balances.

Investment counterparties credit risk: Default of fixed income counterparties resulting in loss of nominal holdings, in particular due to excess exposure to geographic region, industry, or a single counterparty.

Banks credit risk: Default of a bank resulting in loss of cash and cash equivalents, in particular due to excess exposure to geographic region or a single counterparty.

Every quarter, EIL measures and assesses its exposure to credit risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for counterparty default risk. Additionally, on an annual basis as part of the ORSA process, the Company also measures and assesses its exposure to credit risks using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors credit risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis.

Risk Concentration

Credit Risk concentration is associated with any single exposure or group of exposures with the potential to produce large losses to threaten the Company's core operations. It may arise either from a single counterparty concentration or industry concentration. 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.

The Company's most material Credit Risk concentration relates to reinsurance arrangements. The reinsurer's credit rating and amount of exposure is monitored on a regular basis and a report is presented to the Underwriting and Reinsurance Committee and the Compliance Committee on a quarterly basis.

Risk Mitigation

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 counterparties. 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.

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 by reviewing their financial strength on a regular basis and prior to finalisation of any contract. The company's appetite is to only contract reinsurers with a minimum rating of A-.

The Credit risk in relation to default from policyholder and intermediaries is managed through the Company's Debtor Policy which sets out the credit terms which may be given. Furthermore, the Company's credit control function constantly monitors debtor balances and follows up long-outstanding balances. The Company also closely monitors debtors who exceed credit terms and consider revoking credit terms when transacting new business.

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.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of credit risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle. The Risk Management Committee also monitors the effectiveness of credit risk mitigations through the monitoring of the KRIs and KPIs.

Other mitigations:

- The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration 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 the credit risk it accepts by limiting as far as possible its exposure to a single counterparty. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.
- The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.
- Reinsurance transfer is used to manage insurance risk. This does not, however, discharge the Company's liability as the 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 regularly by reviewing credit grades provided by rating agencies and other publicly available financial information, thereby ensuring the continuous monitoring of the financial strength of the reinsurer.
- The exposure to individual counterparties is also managed by other controls, such as the right to offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on receivables and on reinsurers' share of technical provisions and any subsequent write-offs.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.4 Liquidity Risk

Risk Exposure

The company's exposure to liquidity risk arises from the eventuality that the frequency and severity of losses are greater than estimated and funds may not be available to pay claims 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. There have been no material changes in exposure to liquidity risk over the reporting period.

On an annual basis, EIL measures and assesses its exposure to liquidity risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs. The Company also monitors net cash flows on a regular basis.

Risk Concentration

There were no material liquidity risk concentrations as at 31st December 2022.

Risk Mitigation

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. Furthermore, the investment policy provides parameters for investments, requiring a high percentage of cash and cash equivalents to be held in the investment portfolio, and regular monitoring of cash accounts is carried out to maintain an adequate level of liquidity in line with average claim payments.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of liquidity risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle.

Expected profit included in future premiums (EPIFP)

As at 31 December 2022, the Company had no future premiums cash-flows on existing unexpired policies and therefore there is no expected profit included in future premiums.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.5 Operational Risk

Risk Exposure

Operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems risk, or external events. During 2022, EIL was exposed to the following operational risks:

Speed of technological change: Failure to adapt to and implement new technologies or failure to adequately implement new technologies.

People's Risks: Lack of succession planning and recruitment, individual's goals not aligned with Company's goals, lack of required skills, lack of staff development, inadequate performance management systems and workplace safety.

IT Risks: Inadequate system design or capability to maintain business functionality, hardware and software failure and human error.

Information Security Risk: The risk of loss of confidentiality, integrity, or availability of information (whether digital or not) or information systems which will have an adverse impact to information assets, operational resilience, and reputational damage.

Cyber Risks: The risk of financial loss, disruption to operations or reputational damage resulting from a cyber-attack which may lead to a data breach, damage to EIL's software or hardware, malicious disruption and/or denial of service.

Failure of internal processes / controls: Failure of internal control processes due to incorrect design and implementation or management override.

***Fraud Risk**:* Internal and External Fraud risk. This may arise internally due to asset misappropriations, which involves the theft or misuse of an organisation's assets. External fraud may arise from policyholders deliberately misrepresenting, concealing, suppressing or not disclosing material facts upon the underwriting of risks or the policyholder making a false insurance claim.

Project and Change Management: Failure to deliver the expected results of a project or initiative, project costs exceeding benefits, inadequate implementation of a project or initiative.

***Regulatory Compliance Risks*:** The risk of non-compliance with EU host countries' general good provisions, inadequate system of governance framework, not meeting supervisory reporting deadlines; and breaching the conditions of authorisation or non-compliance with all applicable rules, legislation and regulations.

Legislative and Regulatory Changes: The risk of increasing legislative and regulatory changes and heightened regulatory scrutiny.

Business Continuity Risk: 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.

Outsourcing: The risk of an unexpectedly bad outcome to outsourcing arrangements of critical/important or key functions or the risk of operational disruption due to a failure by one of the outsourcing partners.

Distribution vulnerability: Risks emanating from distribution channels. This may be caused by loss of business to a distribution channel and over-reliance on a particular distribution channel.

Every quarter, EIL measures and assesses its exposure to operational risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for operational risk. Additionally, on an annual basis, EIL measures and assesses its exposure to all its operational risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors operational risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis.

Risk Concentration

There were no material operational risk concentrations as at 31st December 2022.

Risk Mitigation

The COVID-19 pandemic had heightened the inherent operational risks of EIL which had an impact on health and safety risks, cyber risks, adequacy of human resources at the Head Office and branches, and other operational risks relating to the enforced working from home arrangements and staff absences due to sickness. Further to the information provided below, the Company has implemented additional processes and controls to mitigate these risks and continues to monitor risks to ensure they remain at an acceptable level.

The Company manages people's risk through its Human Resources ('HR') who is supported by members of Senior Management. This includes regular communication with staff, regular in-house and outsourced training for staff and executives and the focus on retention through employee engagement surveys. During 2022, HR has focused on ensuring the health and safety and the personal resilience and mental wellbeing of employees. The Company has adapted to post-pandemic reality and our offices are operating under normal conditions with staff working from offices.

IT has been the major investment by the Company in the past years to ensure that IT continues to satisfy business requirements and that the Company continues to adapt to the evolving IT environment. The IT department is also responsible for the management of IT safety and security, including information security and cyber risks. A number of IT policies are also in place in order to mitigate IT risks and information security risks. During 2022, the IT department continued monitoring information security and cyber risks.

After considering a number of alternative IT systems over the past years, the Board of EIL has commissioned the implementation of a new integrated insurance software system. The proposed integrated solution will provide a significantly improved IT platform to allow EIL to better service its customers and meet current and future operational and regulatory requirements.

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 regulatory compliance risks. Laws and regulations are reviewed when introduced, deadlines are monitored actively and compliance updates are rolled-out to staff and the Board 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 strategic planning.

The Company have established a Business Continuity Policy, which is reviewed and approved by the Board of Directors on an annual basis. The Company frequently considers the events which may impact business continuity and has established and formalised a Business Continuity Plan, including 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 distributors 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 and Reinsurance Committee level.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.6 Other Material Risks

C.6.1 Reinsurance Risk

Risk Exposure

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 Underwriting and 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.

The company's exposure to reinsurance risk arises from the risk of being unable to obtain reinsurance cover at the right time and at an appropriate cost and the risk of buying inadequate reinsurance covers including the risk of exceeding the reinsurance surplus facility limit and the risk that insurance policies issued by EIL are not aligned to the reinsurance agreement terms and conditions.

On an annual basis, EIL measures and assesses its exposure to reinsurance risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs.

Risk Concentration

Each quarter the Underwriting and Reinsurance Committee review the gross and net aggregate exposures for all classes of business, including our exposures in each of the marinas in Malta, and if necessary the Underwriting and Reinsurance Committee takes appropriate action to ensure that these remain within the parameters set by the Committee.

Risk Mitigation

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 also performs technical audits periodically in order to ensure that EIL's policy wordings being issued by the underwriting teams do not conflict with the reinsurance terms, which would effectively render the reinsurance taken out null and void in case of a claim.

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 Underwriting and Reinsurance Committee. The company does not place reinsurance with reinsurers having a credit rating lower than 'A-'.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.6.2 Reputational risk

Risk Exposure

Reputational risk is the risk of loss as a result oof negative perception or experience by the various stakeholders of the Company. This risk is interrelated to other risks and in fact could arise from other risks including conduct risk, compliance risks and cyber risks.

On an annual basis, EIL measures and assesses its exposure to reputational risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs.

Risk Concentration

There were no material reputational risk concentrations as at 31st December 2022.

Risk Mitigation

EIL manages reputational risk through ongoing customer care and providing product training to EIL employees and tied insurance intermediaries; focusing on legislative and regulatory requirements and ensuring proper adherence, update and review complaints register on a regular basis.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.6.3 Strategic risk

Risk Exposure

The company's exposure to strategic risk arises from lack of strategic planning and clear business objectives, poor business decisions, improper implementation of decisions, lack of monitoring and responsiveness to changes in the business environment, loss in reputation and competition.

On an annual basis, EIL measures and assesses its exposure to strategic risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors strategic risk exposures through the assessment of KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis.

Risk Concentration

There were no material strategic risk concentrations as at 31st December 2022.

Risk Mitigation

On a yearly basis, the Board, together with the Senior Management Team, enter into strategic thinking exercise in order to devise a short to medium term strategy for the Company. EIL's strategic thinking exercise takes into account the key requirements of all stakeholders, including shareholders, customers and staff. During the strategic planning exercise, the Board of Directors and the Senior Management team also identify the Company's strengths, weaknesses, opportunities and threats ("SWOT") to help determine where the Company is now and where it wants to go. The exercise sets out KPIs 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.

Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.7. Any Other Information

Emerging risks currently under consideration are:

Climate Change - the impact of climate change at present is thought to be negligible as although it can be impacted by any climate change-related policies. The impact of climate change continues to be kept under review to assess the vulnerability and exposure of EIL to Environmental, Social and Governance (ESG) risks and also to capture such risks that may emerge and rise in the near future. Failure to accommodate ESG in the business strategy could increase the Company's reputational and operational risk and Transition Risks. physical risk.

The Company is also considering climate change as part of the Environmental, Social and Governance (ESG) requirements and disclosures on which companies are beginning to attract scrutiny by stakeholders. ESG has been embedded in the company's strategy and ESG risk has been recorded in the risk register. With regards to investments, the Company has updated the investment policy with a menu of possible actions for incorporating ESG and sustainability issues into investment practice.

Digitalisation & Cyber risks- New and evolving cyber-attacks with the continuing risk of data loss, theft of Intellectual Property or financial loss as a result of more sophisticated cyber techniques, are a continuous cause for concern for the Company, with the current global macroeconomic discomfort amplifying both motive and opportunity for potential ransomware attacks. Furthermore, there is a potential financial stability risks related to increased digitalisation, which exposes the insurance sector to risks both from an operational resilience perspective and from an underwriting perspective (related to the provision of cyber insurance products). The set of indicators encompasses the assessment of digitalisation & cyber risks considering different aspects such as cyber security risks, cyber underwriting risks and Insurtech competition.

Stress testing and scenario analysis

Once a year, the Company performs stress and scenario testing aimed at quantifying the impact certain risk events will have on own-funds and the solvency capital requirement of several scenarios. The Company also conducts reverse stress tests on an annual basis that examine the conditions that would push the SCR ratio below 100% and which would completely deplete the Company's equities. These stress tests and scenarios help EIL to understand potential losses to ensure that the Company is prepared to withstand projected losses from the selected events, including ensuring that there is adequate capital to withstand the event. The selection of the stress and scenario tests are agreed by senior management and the Risk Management Committee and approved by the Board as part of the ORSA process.

The scenarios which the Company considered for stress testing and scenario analysis, as reported in the 2022 ORSA report are as follows:

- Scenario 1: Earthquake impacting on EIL's entire portfolio of PDBI, Motor and Marine risks (subject to a PML computation).

- Scenario 2: Investment portfolio shock resulting from market instability.

- Scenario 3: Loss in reputation which leads to a reduction in Gross Premiums Written and an increase in Loss Ratios.

The above stress tests were performed using the 3-year business plan and the 3-year financial projections that were based on 2021 actual year-end figures.

The results of the above stress tests and scenarios undertaken have shown that under the three risk events, the Company manages to keep the SCR ratio above 100%. This implies that EIL is well capitalised and able to withstand the impact of the three selected plausible scenarios. The results of the stress tests and scenario analysis are also reported to the Board in the ORSA report.

The results of sensitivity analysis with respect to financial risks can be found in note 3 to the financial statements.

D. Valuation for Solvency Purposes

Assets and liabilities under Solvency II are valued in accordance with 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	2022			2021
	SII € '000s	IFRS € '000s	Difference € '000s	SII € '000s
ASSETS				
Intangible assets - computer software	-	91	(91)	-
Tangible assets:				
- land and buildings	13,466	13,466	-	13,418
- plant and equipment	246	246	-	247
Investments:				
- investment in associated undertaking	340	340	-	321
- investment property	1,615	1,615	-	1,615
- other investments:				
▪ equities	16,582	16,582	-	21,568
▪ bonds	6,665	6,588	77	5,742
▪ loans and receivables	62	62	-	62
Subordinated loan receivable	-	-	-	200
Deferred taxation	243	243	-	122
Reinsurers' share of technical provisions	7,764	9,355	(1,592)	4,996
Deferred acquisition costs	-	1,663	(1,663)	-
Debtors:				
- arising out of direct operations	6,435	6,435	-	5,235
- other debtors	74	74	-	133
Prepayments and accrued income	481	558	(77)	98
Current tax	561	561	-	-
Cash at bank and in hand	9,307	9,307	-	6,578
TOTAL ASSETS	**63,840**	**67,186**		**60,335**

Balance Sheet - as at 31 December	2022 SII € '000s	2022 IFRS € '000s	2022 Difference € '000s	2021 SII € '000s
CAPITAL AND RESERVES				
Called up share capital	5,000	5,000	-	5,000
Revaluation reserve	7,052	7,052	-	7,052
Profit and loss account	15,531	15,531	-	16,990
Reconciliation reserve	430		430	224
TOTAL EQUITY	**28,014**	**27,583**		**29,266**
LIABILITIES				
Technical Provisions		33,586	(33,586)	
- best estimate	30,186		30,186	23,979
- risk margin	730		730	712
Deferred taxation	1,539	1,319	221	2,898
Creditors:				
- interest-bearing borrowings	-	-	-	27
- creditors arising out of direct insurance operations	2,527	2,527	-	2,173
- accruals	706	706	-	760
- deferred reinsurance commissions	-	1,327	(1,327)	-
- lease liabilities	138	138	-	140
Current taxation	-	-	-	381
TOTA LIABILITIES	**35,826**	**39,602**		**31,069**
TOTAL EQUITIES AND LIABILITIES	**63,840**	**67,186**		**60,335**

D.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 was valued in accordance with Article 15 of the Regulation and is consistent with the valuation approach under IFRS.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions have been stressed under counterparty default risk. The calculation of the Solvency II reinsurers' share of technical provisions is explained in section D.2.

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.

D.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 € '000s	Financial Statements: UPR € '000s	Financial Statements: Total € '000s	1 Adjustments to determine the Best Estimate € '000s	2 Risk Margin € '000s	Gross SII Technical Provisions € '000s
Fire and other damage to property insurance	6,437	2,743	9,180	(1,692)	36	7,524
General liability insurance	626	193	820	(104)	28	744
Other motor insurance	2,970	2,730	5,700	(1,623)	152	4,229
Motor vehicle liability insurance	9,359	5,122	14,481	524	395	15,400
Workers' compensation insurance	1,265	322	1,587	(111)	74	1,449
Other lines of business	929	889	1,818	(394)	44	1,569
Total	21,586	12,000	33,586	(3,400)	730	30,916

SII Line of Business	Gross SII Technical Provisions	3 Reinsurers share of SII technical provisions € '000s	4 Counterparty default adjustment € '000s	Net SII Technical Provisions € '000s
Fire and other damage to property insurance	7,524	6,440	(18)	1,103
General liability insurance	744	(20)	0	764
Other motor insurance	4,229	(225)	1	4,454
Motor vehicle liability insurance	15,400	1,097	(2)	14,306
Workers' compensation insurance	1,449	(67)	0	1,516
Other lines of business	1,569	561	(2)	1,010
Total	30,916	7,785	(22)	23,152

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 Claim Chain Ladder Method
- Incurred Claim Chain Ladder Method
- Loss Ratio Method
- Bornhuetter-Ferguson Method

In determining the best estimate using these methods, reliance was made on:

- Claims triangles (constructed to include allocated and unallocated claims expenses) from 2000 – 2022
- 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 2022 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 2022 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 2022 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 2022 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 2022 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 claims 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, on which there is currently heightened uncertainty. An allowance for claims inflation is implicit within the projection methods that were used.
- Direct claims handling expenses can be expected to impact future claim payments. The 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;
  - Impact of underwriting changes, inflation, rate changes and premium increases on future business mix and future claims experience. In the current reporting period, there is heightened uncertainty relating to inflationary pressures than in previous reporting periods
  - 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											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fire and other damage to property insurance	63%	11%	9%	5%	4%	4%	1%	1%	1%	0%	0%	0%
General liability insurance	39%	19%	12%	8%	7%	5%	3%	3%	1%	1%	1%	1%
Other motor insurance	80%	13%	4%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Motor vehicle liability insurance	59%	24%	9%	4%	5%	2%	5%	1%	-2%	-2%	-1%	-4%
Workers' compensation insurance	36%	20%	17%	6%	8%	4%	2%	3%	1%	1%	1%	1%

	Future Claims Settlement Pattern											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fire and other damage to property insurance	32%	59%	2%	2%	0%	1%	1%	0%	0%	1%	0%	0%
General liability insurance	29%	27%	4%	12%	8%	2%	6%	2%	2%	2%	2%	4%
Other motor insurance	64%	31%	3%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Motor vehicle liability insurance	46%	35%	13%	4%	1%	1%	0%	0%	0%	0%	0%	0%
Workers' compensation insurance	4%	31%	24%	21%	3%	6%	4%	0%	5%	0%	0%	2%

	Commission Rate	Gross Loss Ratio	Net Loss Ratio	Probability of Default	Loss Given Default
Fire and other damage to property insurance	11%	36%	55%	0.24%	60%
General liability insurance	9%	44%	53%	0.24%	60%
Other motor insurance	6%	75%	83%	0.24%	60%
Motor vehicle liability insurance	5%	88%	93%	0.24%	60%
Workers' compensation insurance	10%	46%	69%	0.24%	60%

D.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 an estimated effective rate of 33.9% 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.

D.4 Alternative Methods for Valuation

EIL does not make use of alternative methods of valuation.

D.5 Any other information

There is no other material information regarding capital management which has not already been disclosed in the sections above.

E. 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.

E.1 Own Funds

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

	Tier 1 2022 € '000s	Tier 1 2021 € '000s
Called up share capital	5,000	5,000
Revaluation reserve	7,052	7,052
Profit and loss account	15,531	16,990
Reconciliation reserve	430	224
Total Own Funds	**28,014**	**29,266**

The Company has assessed the composition of its own fund items as at 31st December 2022 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.

Deferred tax assets are recognised and valued in accordance with Article 15 of the Regulation and the valuation is consistent with the valuation approach under IFRS. No deferred tax assets have arisen on the movement between IFRS and Solvency II Balance Sheets and the Company holds a Net Deferred Tax Liability on its Solvency II Balance Sheet.

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. No dividends were distributed during the year under review.

Based on the calculations within the 2022 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 2022		
	€ '000s	**€ '000s**
Solvency II Own Funds		**28,014**
Items not recognised in the Financial Statements:		
- Risk Margin	**730**	
		730
Items not recognised in the Solvency II Balance Sheet:		
- Intangible assets	**91**	
- Deferred acquisition costs	**1,663**	
- Deferred reinsurance commissions	**(1,327)**	
		427
Change in valuation of Technical Provisions from Best Estimate calculation		**(1,808)**
Deferred tax movements		**221**
Resulting figure		**27,583**
Total Equity as per IFRS		**27,583**
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.

E.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 €10,661K and €4,000K respectively.

The table below shows the components of the SCR (using the Standard Formula) at 31 December 2022 and 2021:

Sub-modules SCR	2022 € '000s	2021 € '000s
Market	10,884	14,863
Default	2,772	2,330
Health	872	803
Non-life	5,917	5,112
Diversification Benefit	(5,228)	(5,018)
Basic SCR	**15,217**	**18,090**

SCR	2022 € '000s	2021 € '000s
Basic SCR	15,217	18,090
Operational	906	844
LACDT	(5,462)	(6,546)
Total	**10,661**	**12,389**

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.

The Basic SCR decreased to €15,217K in 2022. This movement was mainly driven by a reduction in market risk following the collapse of the international stock markets. The value of the SCR has been reduced to allow for the loss absorbing capacity of deferred taxes ("LACDT"). The LACDT was 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. As at 31 December 2022, the LACDT was calculated at an estimated effective rate of 33.9% and amounted to €5,462K. The LACDT was recognised in full on the basis of the reversion of deferred tax liabilities amounting to €1,319K and by reference to probable future taxable profits.

The following considerations were taken into account when utilising the future taxable profits:

- The Company is strongly capitalised and over the past five years, the Solvency Capital Requirement margin has averaged to 260%, which equates to an average surplus capital of €16 million above the regulatory requirement. As at 31 December 2022, the Company has surplus capital of €17,353K above the regulatory requirement of €10,661K, resulting in a Solvency Capital Requirement margin of 263%. Excluding the positive impact of LACDT, the surplus capital would amount to €11,891K. This capital base is considered sufficient for the Company to continue to operate at relatively normal levels.

- Since the Company commenced its insurance operations in 2004, it has established itself as a major player in the local insurance market. Throughout the years, EIL's business model has been put to the test as the Company has successfully overcome a number of international financial crises, periods of slowdown in the local economy and most recent, a global pandemic and Russia's invasion of Ukraine. The Company has a history of profitability and along the years, it has successfully achieved and maintained stability in earnings. It is therefore reasonable to project that the same level of profitability will be maintained going forward especially when one considers that EIL operates in a mature and saturated insurance market.

- Through ongoing and successful management of its underwriting and claims risks, EIL has over the past five years, maintained a stable overall loss ratio that averages to 50%. Additionally, the Company maintains control on operating costs, thus allowing for an acceptable combined operating ratio.

- The Company has in place a comprehensive reinsurance programme placed with leading international reinsurers, the majority of which are rated 'AA', which protects the Company against high severity claims or catastrophes. This reinsurance programme has historically had a positive impact on net loss ratios, and it was fundamental in reducing volatility and establishing stability in earnings.

- Currently, and over the business plan horizon, EIL is authorised to write most classes of non-life business. The products offered are therefore well diversified and it is reasonable to assume that should there be an instantaneous decrease in gross written premium, the reduction will be at different levels for different lines of business. Additionally, the impact will be minimal on those products that are obligatory including motor insurance, home insurance in case of home loans, marine hull insurance which is required to obtain a marine license and Contractors All Risk insurance for construction or infrastructure projects.

- EIL utilises a variety of distribution channels, thus ensuring that potential and existing clients have a range of channels through which they may access and purchase the Company's insurance products.

- The Company's taxable profits are not dependant solely on underwriting results. EIL holds a highly diversified investment portfolio that provide consistent dividend and interest income flows which are expected to continue going forward.

- The Company also holds a portfolio of properties that provide a flow of rental income and capital appreciation.

- EIL is financially very strong and has a high level of liquidity which will enable it to withstand an instantaneous economic downturn. Over the past five years, through different periods of economic and investment markets performance, the Company's SCR margin has averaged to 260%.

Due to the above and since companies in Malta do not have a time limit by when to utilise trading losses, LACDT was maintained at an estimated effective tax rate of 33.9% of Basic SCR and operational risk.

The MCR was calculated in accordance with the Commission Delegated Regulation. The table below shows the net best estimates and net written premiums for the year 2022 per line of business utilised in the calculation of the Linear MCR.

SII Line of Business	Net best estimate € '000s	Net written premiums in past 12 months € '000s
Fire and other damage to property insurance	1,067	724
General liability insurance	736	539
Other motor insurance	4,302	5,151
Motor vehicle liability insurance	13,910	9,381
Workers' compensation insurance	1,441	779
Other lines of business	966	1,061
Total	22,422	17,634

The following table summarises the calculation of the linear MCR, MCR cap and MCR floor:

Overall MCR calculation	2022 € '000s	2021 € '000s
Linear MCR	3,504	3,109
MCR cap	4,797	5,575
MCR floor	2,665	3,097
Combined MCR	3,504	3,109
Absolute floor of the MCR	4,000	3,700
Minimum Capital Requirement	4,000	3,700

As from October 2022, the absolute floor of the MCR applicable for the Company was increased from €3,700K to €4,000K following the amendment to Article 129(1)(d) of the Solvency II Directive. The absolute floor of €4,000K therefore applies for the Company and as at 31 December 2022, the Company had an MCR cover of 700%.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

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

E.4 Differences between the standard formula and any internal model used

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

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

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

E.6 Any Other Information

Conflict between Ukraine and Russia and inflationary pressures

In response to Russia's military invasion of Ukraine in February 2022, significant economic and other sanctions were imposed on Russia. The Company was not directly impacted by the conflict but was affected indirectly through unprecedented levels of volatility in investment markets, inflationary pressures on operating costs and claims repair costs and increased interest rates. The Board is closely monitoring the situation in order to minimise the adverse impact on the Company.

Apart from the above mentioned, there is no other material information regarding capital management which has not already been disclosed in the sections above.

Appendix I: Annual Quantitative Reporting Templates

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	243
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	13,713
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	25,263
Property (other than for own use)	**R0080**	1,615
Holdings in related undertakings, including participations	**R0090**	340
Equities	**R0100**	11,689
Equities - listed	**R0110**	11,689
Equities - unlisted	**R0120**	0
Bonds	**R0130**	6,665
Government Bonds	**R0140**	601
Corporate Bonds	**R0150**	6,064
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	4,893
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	62
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	7,764
Non-life and health similar to non-life	**R0280**	7,764
Non-life excluding health	**R0290**	7,687
Health similar to non-life	**R0300**	77
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	6,435
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	74
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	9,307
Any other assets, not elsewhere shown	**R0420**	1,041
Total assets	**R0500**	63,840

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	30,916
Technical provisions – non-life (excluding health)	**R0520**	28,932
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	28,301
Risk margin	**R0550**	631
Technical provisions - health (similar to non-life)	**R0560**	1,984
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	1,885
Risk margin	**R0590**	99
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	1,539
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	1,119
Reinsurance payables	**R0830**	1,407
Payables (trade, not insurance)	**R0840**	706
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	138
Total liabilities	**R0900**	35,826
Excess of assets over liabilities	**R1000**	28,014

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 accepted proportional reinsurance)**										Total
		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
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0110**	**C0120**	**C0200**
Premiums written												
Gross - Direct Business	**R0110**	483	316	1,007	9,852	5,395	1,370	7,737	605	134	230	27,130
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**											0
Reinsurers' share	**R0140**	275	77	228	472	244	901	7,014	66	6	215	9,496
Net	**R0200**	208	239	779	9,381	5,151	469	724	539	129	15	17,634
Premiums earned												
Gross - Direct Business	**R0210**	433	353	1,157	9,057	5,046	1,332	7,969	685	106	224	26,362
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**											0
Reinsurers' share	**R0240**	264	77	228	472	244	882	7,182	66	6	209	9,629
Net	**R0300**	169	276	929	8,585	4,802	450	787	619	100	16	16,733
Claims incurred												
Gross - Direct Business	**R0310**	485	78	417	6,986	3,268	1,106	4,378	157	60	52	16,988
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**											0
Reinsurers' share	**R0340**	450	0	0	239	0	827	3,977	0	0	36	5,528
Net	**R0400**	36	78	417	6,747	3,268	280	402	157	60	15	11,460
Changes in other technical provisions												
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**											0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	80	99	331	2,950	1,582	257	-626	191	34	-8	4,890
Other expenses	**R1200**											0
Total expenses	**R1300**											4,890

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
			DE	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	27,070	60	0	0	0	0	27,130
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	9,436	60	0	0	0	0	9,496
Net	**R0200**	17,634	0	0	0	0	0	17,634
Premiums earned								
Gross - Direct Business	**R0210**	26,271	91	0	0	0	0	26,362
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	9,538	91	0	0	0	0	9,629
Net	**R0300**	16,733	0	0	0	0	0	16,733
Claims incurred								
Gross - Direct Business	**R0310**	16,573	415	0	0	0	0	16,988
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	5,114	415	0	0	0	0	5,528
Net	**R0400**	11,460	0	0	0	0	0	11,460
Changes in other technical provisions								
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0
Expenses incurred	**R0550**	4,827	63	0	0	0	0	4,890
Other expenses	**R1200**							0
Total expenses	**R1300**							4,890

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
			0	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	0	0	0	0	0	0	0
Net	**R0200**	0	0	0	0	0	0	0
Premiums earned								
Gross - Direct Business	**R0210**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	0	0	0	0	0	0	0
Net	**R0300**	0	0	0	0	0	0	0
Claims incurred								
Gross - Direct Business	**R0310**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	0	0	0	0	0	0	0
Net	**R0400**	0	0	0	0	0	0	0
Changes in other technical provisions								
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	0	0	0	0	0	0
Other expenses	**R1200**							0
Total expenses	**R1300**							0

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**	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM												
Best estimate												
Premium provisions												
Gross	**R0060**	68	31	138	4,322	1,964	281	946	78	17	13	7,858
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	19	-13	-66	-237	-225	29	751	-16	-5	1	238
Net Best Estimate of Premium Provisions	**R0150**	49	44	204	4,559	2,189	252	195	95	22	12	7,620
Claims provisions												
Gross	**R0160**	164	246	1,237	10,683	2,113	642	6,542	638	23	38	22,328
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	134	3	0	1,332	0	358	5,670	-4	0	33	7,526
Net Best Estimate of Claims Provisions	**R0250**	31	244	1,237	9,351	2,113	284	871	641	23	6	14,802
Total Best estimate - gross	**R0260**	232	278	1,375	15,005	4,077	923	7,488	716	40	51	30,186
Total Best estimate - net	**R0270**	80	288	1,441	13,910	4,302	536	1,067	736	45	17	22,422
Risk margin	**R0280**	7	18	74	395	152	16	36	28	3	0	730
Amount of the transitional on Technical Provisions												
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total												
Technical provisions - total	**R0320**	239	296	1,449	15,400	4,229	940	7,524	744	43	52	30,916
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	153	-10	-66	1,094	-225	387	6,421	-20	-5	34	7,764
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	86	305	1,516	14,306	4,454	552	1,103	764	48	18	23,152

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	Accident year [AY]

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year												In Current year	Sum of years (cumulative)
Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											55	**R0100**	55	55
N-9	**R0160**	3,169	2,165	369	224	23	40	127	1	73	5		**R0160**	5	6,197
N-8	**R0170**	3,183	2,024	274	85	138	50	-2	-1	1			**R0170**	1	5,751
N-7	**R0180**	3,288	2,171	295	608	973	64	20	2				**R0180**	2	7,421
N-6	**R0190**	3,352	2,033	432	153	46	42	49					**R0190**	49	6,108
N-5	**R0200**	4,009	2,344	684	201	42	59						**R0200**	59	7,338
N-4	**R0210**	4,352	4,519	1,543	204	85							**R0210**	85	10,704
N-3	**R0220**	7,133	4,970	382	606								**R0220**	606	13,091
N-2	**R0230**	6,511	3,646	519									**R0230**	519	10,675
N-1	**R0240**	5,477	3,604										**R0240**	3,604	9,081
N	**R0250**	6,410											**R0250**	6,410	6,410
												Total	**R0260**	11,395	82,832

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year												Year end (discounted data)
Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**											694	**R0100**	651
N-9	**R0160**	0	0	0	290	335	276	197	195	95	95		**R0160**	92
N-8	**R0170**	0	0	632	516	341	237	218	195	193			**R0170**	187
N-7	**R0180**	0	1,961	1,793	1,253	377	424	397	443				**R0180**	427
N-6	**R0190**	4,192	1,112	724	227	272	186	179					**R0190**	172
N-5	**R0200**	5,451	2,275	907	715	583	394						**R0200**	380
N-4	**R0210**	7,703	2,026	998	739	527							**R0210**	501
N-3	**R0220**	9,832	4,182	3,185	1,750								**R0220**	1,674
N-2	**R0230**	7,766	2,448	1,210									**R0230**	1,155
N-1	**R0240**	8,549	3,755										**R0240**	3,609
N	**R0250**	14,005											**R0250**	13,479
												Total	**R0260**	22,328

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 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	5,000	5,000		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertak	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	23,014	23,014			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
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**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	28,014	28,014	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	28,014	28,014	0	0	0
Total available own funds to meet the MCR	**R0510**	28,014	28,014	0	0	
Total eligible own funds to meet the SCR	**R0540**	28,014	28,014	0	0	0
Total eligible own funds to meet the MCR	**R0550**	28,014	28,014	0	0	
SCR	**R0580**	10,661				
MCR	**R0600**	4,000				
Ratio of Eligible own funds to SCR	**R0620**	2.63				
Ratio of Eligible own funds to MCR	**R0640**	7.00				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	28,014
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	0
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**	0
Reconciliation reserve	**R0760**	23,014
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0
Total Expected profits included in future premiums (EPIFP)	**R0790**	0

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	10,884		
Counterparty default risk	**R0020**	2,772		
Life underwriting risk	**R0030**	0		
Health underwriting risk	**R0040**	872		
Non-life underwriting risk	**R0050**	5,917		
Diversification	**R0060**	-5,228		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	15,217		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	906
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-5,462
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	10,661
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	10,661
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

		Yes/No
Approach to tax rate		**C0109**

Approach based on average tax rate	**R0590**	1 - Yes

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
DTA	**R0600**	
DTA carry forward	**R0610**	
DTA due to deductible temporary differences	**R0620**	
DTL	**R0630**	
LAC DT	**R0640**	-5,462
LAC DT justified by reversion of deferred tax liabilities	**R0650**	-1,539
LAC DT justified by reference to probable future taxable economic profit	**R0660**	-3,923
LAC DT justified by carry back, current year	**R0670**	0
LAC DT justified by carry back, future years	**R0680**	0
Maximum LAC DT	**R0690**	-5,462

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
MCRNL Result	R0010	3,504

		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 expenses insurance and proportional reinsurance	R0020	80	208
Income protection insurance and proportional reinsurance	R0030	288	239
Workers' compensation insurance and proportional reinsurance	R0040	1,441	779
Motor vehicle liability insurance and proportional reinsurance	R0050	13,910	9,381
Other motor insurance and proportional reinsurance	R0060	4,302	5,151
Marine, aviation and transport insurance and proportional reinsurance	R0070	536	469
Fire and other damage to property insurance and proportional reinsurance	R0080	1,067	724
General liability insurance and proportional reinsurance	R0090	736	539
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	45	129
Miscellaneous financial loss insurance and proportional reinsurance	R0130	17	15
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

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

Overall MCR calculation

		C0070
Linear MCR	R0300	3,504
SCR	R0310	10,661
MCR cap	R0320	4,797
MCR floor	R0330	2,665
Combined MCR	R0340	3,504
Absolute floor of the MCR	R0350	4,000

		C0070
Minimum Capital Requirement	R0400	4,000

Elmo
INSURANCE

SOLVENCY & FINANCIAL CONDITION REPORT 2022

Elmo Insurance Ltd, Abate Rigord Street, Ta' Xbiex, XBX 1111, Malta
T: 2343 0000 | info@elmoinsurance.com