PREMIUM
INSURANCE COMPANY

SOLVENCY AND FINANCIAL CONDITION REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2016

PREMIUM Insurance Company Limited

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PREMIUM Insurance Company Limited

A Business and Performance

A1 Business Information

A1.1 Company details

PREMIUM Insurance Company Limited
P.O. Box 1338
First Floor
Grant Ocean Plaza
Ocean Village
Gibraltar

PREMIUM Insurance Company Limited ("PREMIUM") is incorporated in Gibraltar and is a Company limited by shares.

Registered number 113705

This Solvency and Financial Condition Report (Regular Supervisory Report) covers PREMIUM on a solo basis.

A1.2 Supervisory authority

Financial Services Commission (Gibraltar)
P.O. Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar

A1.3 Auditor

Deloitte Limited
Merchant House
22/24 John Mackintosh Square
Gibraltar

A1.4 Ultimate Shareholders

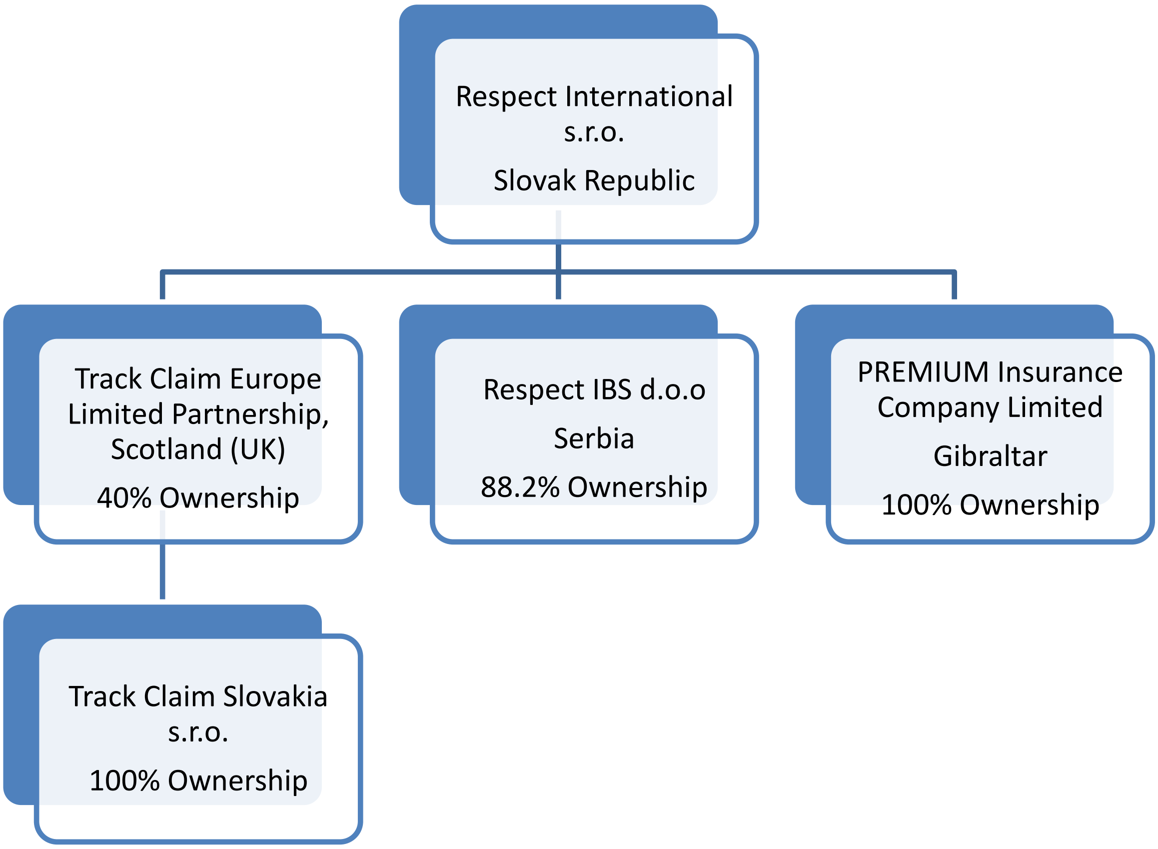
PREMIUM is 100% subsidiary of Respect International s.r.o. ("Respect") a Company registered in the Slovak Republic.

The address of the registered office of Respect is Valova 38 921 01 Piešťany, Slovak Republic.

Registered number 47436140

Respect is jointly owned by four Slovak residents, Eva Juristová, Milan Pobjecký, Dušan Guľáš and Mojmír Vedej, who each hold 25% of Respect shares.

A1.5 Group Structure



PREMIUM outsources services to Track Claim Slovakia s.r.o., a Slovak registered company under common ownership.

A1.7 Material lines of business and geographical areas:

PREMIUM covers risks in the Slovak Republic on a Freedom of Establishment basis and from Gibraltar on a Freedom of Services basis; during the period insurance contracts were concluded in both Gibraltar and the Slovak Republic.

The Company is licensed to underwrite the following insurance classes:

Class 3: Land vehicles
Class 7: Goods in transit
Class 8: Fire and natural forces
Class 9: Damage to property
Class 10: Motor vehicle liability
Class 13: General liability
Class 16: Miscellaneous financial loss

Gross written premium during the period ending December 2016 amounted to 118,698 euro. Net (of reinsurance) written premium amounted to 1,639 euro.

A1.8 Significant business or other events

A1.8.1 Company incorporation and insurance licence

PREMIUM was incorporated on 18 November 2015, received authorisation on 11 November 2016 and started trading on 1 December 2016.

A1.8.2 Passporting rights

On 23rd June 2016 the United Kingdom voted to withdraw from the European Union. The outcome of the negotiations over the next two years on the terms of the UK's exit is inherently uncertain.

The current European legislation enables PREMIUM to provide services across the European Economic Area. The next two years are expected to result in a period of economic and political uncertainty. Furthermore, if passporting rights are withdrawn following the United Kingdom's exit, PREMIUM would be unable to conduct its business from Gibraltar. The Directors keep developments under continuous review and are developing plans for relocation of the Company should this be required in the future.

A2 Underwriting Performance

PREMIUM started trading on 1 December 2016 and only two policies were incepted by the end of the reporting period. Premium written, net of re-insurance, in the financial period amounted to €1,639.

	2016	**2016**
	Fire and other damage to property	**General liability**
	€	**€**
Gross premiums written	117,056	1,639
Gross premiums earned	11,581	1,639
Reinsurance premium	11,581	-

Due to the short trading period and the past claims pattern of the insured entities, the Company does not consider that any liability for insurance claims should be recognised on this business.

A3 Investment Performance

As the Company only started trading in December 2016 all funds were kept as cash deposits with the Company's bankers.

A4 Performance of other activities

PREMIUM received reinsurance commission payable as part of the re-insurance agreement. Total commission payable to the Company amounts to €44,481 and commission earned and recognised as income in the financial statements amounts to €3,778.

A5 Any other information

There are no other material matters with regard to the Company’s performance.

B Systems of Governance

B1 General Information

B1.1 Structure of the Board and Committees

The Company is at its infancy stage and as such emphasis is placed on building the brand awareness and on growth of its business portfolio. The Board of Directors ("Board") has the responsibility to overview these objectives, while at the same time ensuring that the principles of sound and good governance are observed.

The Company recognises the importance of strong corporate governance and has established a well-defined governance framework, system of control and committee structure. These controls and procedures are subject to regular review by the Board and revision when necessary.

The Board has the ultimate responsibility for overseeing the business of the Company and for supervision of the management. In carrying out its duties, the Board considers the legitimate interests of the Company, its shareholders, its policyholders and any other stakeholders. The Board set the standards of conduct of the Company and provide direction and oversight and promote a culture of integrity within the business. By selectively delegating authority and certain functions to various committees, the Board does not absolve themselves of their own responsibility for the Company.

The Board has out-sourced some of the roles and responsibilities of the Company to a specialist insurance manager, Artex Risk Solutions (Gibraltar) Limited ("Artex").

B1.2 Board Committees

B1.2.1 Claims and Underwriting Committee

The objective of the Claims and Underwriting Sub-Committee is to achieve an underwriting profit by writing specific, targeted sectors of the insurance market.

The Committee has responsibility for:

- overseeing and reviewing the ongoing performance of all product lines;
- overseeing and reviewing the ongoing performance of intermediaries/distributors;
- considering, challenging and approving rate proposals;
- considering and advising on the company's reinsurance strategy;
- overseeing the implementation of the claims handling, reserving and settlement strategy;
- overseeing and controlling any outsourced claims handling; and
- assisting the Board with the setting of insurance risk strategy and appetite.
- Reporting on all relevant matters to the Board

B1.2.2 Investment Committee

The objective of the Investment Committee is to protect the capital assets of the Company and to assist the Board in setting the Investment Strategy and Cash Flow Strategy.

The Committee has responsibility for:

- Managing, monitoring, and providing guidance to the Board on the Investment Strategy and the Cash Flow Strategy of the Company;
- Ensuring that the investment of Company funds is conducted in accordance with the Investment Strategy and the Cash Flow Strategy, in a way that optimises the Insurer's result, whilst preserving capital
- Advising the board on the appointment of Investment Managers and managing and monitoring said Investment Managers;
- Advising the Board on the establishment of an appropriate Investment Risk Strategy and Philosophy of the company, including assisting with determining risk appetite and tolerance limits;
- Reporting on all relevant matters to the Board

B1.2.3 Audit and Risk Committee

The objective of Audit and Risk Committee is to provide oversight to PREMIUM's Board on the Company's financial management, internal control environment and risk management functions.

The Committee shall be comprised of no less than 3 members and at least one of the Directors shall be present at all meetings.

The Committee has responsibility for:

- Developing, managing and monitoring internal and external audit strategy, ensuring the requirements of the business plan, risk appetite of the Company and any statutory or regulatory requirements are met.
- Managing and monitoring performance of PREMIUM's external auditors and the effectiveness of internal audit arrangements.
- Monitoring changes to accounting standards, financial regulation and legislation and identifying any potential impact to the Company.
- Ensuring the internal audit programme has been communicated as required within the Company and externally as required to regulatory authorities and other interested parties.
- Assisting the Board in discharging its corporate governance responsibilities.
- Ensuring due care and skill is exercised in relation to compliance with statutory and regulatory requirements and that compliance with all such requirements is embedded in the culture of the Company, its core systems and processes and its management and employees.
- Ensuring PREMIUM's reputation and integrity is maintained at the highest possible standard.
- Reporting on all relevant matters to the Board

B1.3 Key Functions

PREMIUM has in place the four key functions as required by the Solvency II Directive. These are:

- Risk Management
- Compliance
- Actuarial
- Internal Audit

These functions are responsible for providing oversight of the relevant area and providing assurance to the Board on the operation of the Company's risk management framework. All functions are overseen by Directors of the business, thus ensuring they have the appropriate authority to carry out their roles

B1.3.1 Risk Management

The risk management function has been delegated by the Board to the Audit and Risk Committee. Risk Management is a standing agenda item for Board meetings and is overseen by the Board.

B1.3.2 Compliance

PREMIUM outsources compliance services to its insurance manager (Artex), with the function overseen by Stephen Quinn. The compliance team works closely with the wider group in providing compliance services to the Company.

The Board has approved a compliance monitoring programme, which is reviewed at the quarterly board meeting and updated on an annual basis. It is designed to ensure that PREMIUM complies at all times with all relevant rules, regulations, legislation and guidance to which the Company is subject, both in Gibraltar and, where applicable, in the Slovak Republic.

B1.3.3 Actuarial

The Internal Actuarial function has been delegated to Mojmir Vedej, a highly experienced insurance industry professional. In the early stages of its development the Company has no specific internal actuarial team in place, as the function is overseen by a company director, and it is satisfied that sufficient controls are in place.

PREMIUM will engage an Actuarial firm to provide an independent valuation of the 2017 year end technical provisions and review of the internal underwriting and financial procedures.

B1.3.4 Internal Audit

PREMIUM's Internal Audit function is overseen by the Company's director, Marek Benko. Internal Audit is responsible for evaluating the approach to risk management and governance, with particular emphasis on the internal control system.

As the company grows, PREMIUM will outsource the Internal Audit function to an appropriate professional service provider.

B1.4 Material changes

Directors
M Vedej (Appointed 18 November 2015)
M Benko (Appointed 18 November 2015)
S Quinn (Appointed 18 November 2015)
A Baker (Appointed 28 October 2016)

Secretary
R J Abergel (Appointed 18 November 2015)

B1.5 Remuneration policy and practices

Due to the Company's size and the simplicity of the remuneration arrangements, the Directors are of the view that it is appropriate for the Board of PREMIUM to retain responsibility for the remuneration policy.

Future Employees will receive remuneration commensurate with their skill, knowledge and experience, qualifications and role within the company.

Directors are not entitled to share options or shares in the Company.

B1.6 Material transactions

B1.6. 1 Insurance manager

During the period PEMIUM paid a fee of €45,448 to its insurance manager for the services provided. One of PREMIUM's directors is also a Director of the insurance manager. As at 31 December 2016, the balance due to insurance manager was €45,783. Due to inclusion of the reimbursement of expenditure the amount outstanding at the end of accounting period exceeded the amount charged to the Company.

B1.6.2 Shareholders

During the period PREMIUM received a short term, non-interest bearing unsecured loan from one of Respect's shareholders. As at 31 December 2016, the Company owed €5,000. The maximum outstanding amount during the period was €5,000.

B2 Fit and proper requirements

B2.1 Requirements for Skills, Knowledge and Expertise

PREMIUM requires that members of the Board and Committees and those individuals carrying out other significant functions are fit to carry out their roles through the possession of the necessary skills, knowledge and experience and that all such individuals are of good repute and integrity. This ensures an appropriate spread of skills for managing the business.

B2.2 Policies and Processes with regard to Fit Requirements

The Board will consider the skills, knowledge and experience required prior to any new appointment and assess whether the individual meets the requirements. On an ongoing basis, all individuals are required to ensure that their skills and knowledge are kept up-to-date and to confirm this annually. The fitness of key individuals is monitored and reported on by the compliance function.

B2.3 Policies and Processes with regard to Proper Requirements

All individuals carrying out key or significant functions for the Company are required to demonstrate that they meet the Company's proper requirements with regard to their reputation and character.

PREMIUM's compliance function ensures that appropriate Notification Documents are prepared for all individuals carrying out notifiable functions for the company and submitted for regulatory approval. The compliance function is responsible for checking propriety on an ongoing basis and to report to the Board at least annually.

B3 Risk management system including ORSA

B3.1 Risk Management System

B3.1.1 Company Risk Management

PREMIUM's risk management framework, which is described below, drives the Company's risk management. The Company maintains a risk register and solvency requirements are considered as part of the company's ORSA process. PREMIUM carries out the solvency calculations and prepares the ORSA report.

B3.1.2 Overview

PREMIUM categorises its risks as follows:

- Strategic Risk
- Insurance Risk
- Liquidity Risk
- Credit Risk
- Concentration Risk
- Operational Risk
- Reputational Risk

PREMIUM's aim is to ensure that the business is managed at all times in a risk-focussed manner in order to achieve the Company's overall strategic objectives. The Company has in place policies, processes and procedures for each category of risk.

Risk management is the responsibility of the Board. However, the risk management function has been delegated to the Audit and Risk Committee. Due to the small size of the Company, it depends on assistance from individuals within its outsourced service providers, in particular its insurance manager and third party administrator.

The systems of governance is based on the principle of proportionality, such that systems are proportionate to the nature, scale and complexity of PREMIUM's operations.

B3.1.3 Risk Management Strategies, Objectives, Processes and Reporting

PREMIUM's risk management policy is intended to identify all material risks, minimise risks wherever possible and manage and control all significant risks within acceptable limits. The ultimate goal is to ensure policyholder protection, both now and in the future and for the company to achieve the Company's overall strategic objectives.

The Company sets risk appetites and tolerance limits for each category of risk and monitors performance on a monthly basis.

B3.1.4 Identification, Measurement, Monitoring, Management and Reporting of Risks

PREMIUM's Board regularly discusses and considers actual or potential risks and utilises a risk register to do so. All risks identified are recorded and assessed as to their impact and the likelihood of their occurrence, both on an inherent basis (before controls and mitigations) and on a residual basis (after taking account of appropriate controls and mitigations).

The highest rated risks are reported to the Board on a regular basis by the compliance function. In addition, at each Board meeting consideration is given to whether the Company's risk profile or risk exposure has changed due to decisions taken.

Risk events are reported to the Board when they occur and are recorded in the risk register, including their impact and resolution. Where further investigation is required, the Board will delegate responsibility for doing so and reporting back to the appropriate service provider.

In addition, the Board will receive regular reports from the Internal Audit function as to the adequacy, effectiveness and efficiency of the internal controls. The findings of such reports will be taken into account by the Board in assessing risks and feed directly into the company's ORSA process.

B3.1.5 Implementation of Risk Management Function

Responsibility for and ownership of the risk management rests entirely with the Board of Directors working together with senior members of the Branch Office in Slovakia and PREMIUM's Insurance Manager teams.

B3.2 Own risk and solvency assessment

B3.2.1 ORSA Process and Integration

PREMIUM has established a policy setting out the requirement to carry out an Own Risk and Solvency Assessment ("ORSA"). The purpose of the policy is to ensure that all material risks faced by the Company are appropriately assessed and the level of capital required to manage these risks or other risk mitigation measures are determined and put in place. The ORSA should provide the Company and the Board and management with a thorough understanding of the Company's risk profile and provide the information needed to make appropriate decisions.

The ORSA takes account of historic performance and future forecasts/budgets over the business planning horizon, which is a period of three years. Various members of the management team and relevant outsourced providers will carry out the ORSA. The Board maintains oversight and control at all times, steering how the assessment is performed and challenging the results to ensure they properly take account of the Company's and the Group's material risks.

PREMIUM conducts at least an annual ORSA after which a formal report is prepared. This will take place during the final month of the company's financial year, thus ensuring that the timing is aligned with the business planning process.

However, the ORSA process is continuous throughout the year, with consideration being given as to whether any decisions, events, issues, market factors or similar are likely to impact the Company's risk profile, appetite, free reserves, or other relevant matters. In such a case, the impact on the Company's own assessment of its capital needs will be considered and, if required, a further ORSA together with an SCR calculation will be carried out. This ensures that the Company's existing and forecast capital position and risk profile are properly taken into account in any strategic decisions.

The ORSA is conducted by management, including Directors, of PREMIUM and the draft report produced is provided to the full Board for discussion, challenge and approval. This is applicable for each ORSA, whether annual or ad-hoc due to changes in the business.

B3.2.3 Relationship between Solvency Needs, Risk Profile, Capital Management and Risk Management

The ORSA enables the Board to assess the Company's capital needs over the planning horizon, which is three years. The ORSA is carried out taking due account of PREMIUM's specific risk profile and includes both risks explicitly captured in the Standard Formula, as well as risks which are either not captured or not able to be mitigated through capital. All risks are taken into account in the ORSA process.

PREMIUM's capital management policy has been established to ensure that the Company has in place the appropriate levels and quality of capital both as required by the SCR calculation and as determined by the ORSA. The policy aims to ensure that appropriate plans are in place to enable the Company to meet its capital requirements both in the immediate and the medium-term future and that all items of own funds comply with the relevant rules, regulations and legislation.

The risk management function takes due account of the available capital, the Company's risk profile, future business plans and the outcome of the ORSA in an iterative cycle.

B4 Internal control system

B4.1 Internal Control System

PREMIUM is committed to managing its business in a risk-focused manner. In order to achieve this, appropriate controls have been put in place to reduce risks where possible. Risk management and the adherence to the internal controls are an integral part of the business culture.

Responsibility for establishing an appropriate internal control environment rests with the Board as a whole and its Directors individually. Responsibility for adherence to internal controls rests with all individuals involved in the management of the business.

The internal control policy is targeted at ensuring that:

- Processes and procedures exist for the identification and assessment of risks
- Appropriate processes and procedures are in place to control identified risks
- Individuals involved in the business are trained and aware of their role with regard to internal controls
- Appropriate monitoring and review processes are in place

B4.3 Compliance Function

B4.3.1 Implementation of Compliance Function

The compliance function is an integral and significant element of PREMIUM's business, responsible for ensuring the Company complies with all relevant rules, regulations, guidance and legislation with regard to both Gibraltar and applicable EU requirements. The compliance function also reports to the Board on any relevant changes in the legal environment in which the Company operates.

PREMIUM outsources its Compliance function to its insurance manager, with a named Compliance Officer having overall responsibility. The compliance function has established a Compliance Monitoring Programme which is approved by the Board on an annual basis. Compliance formally reports to the Board on a quarterly basis with regard to the tasks carried out during the quarter. The Board does not otherwise seek to instruct or influence the compliance function.

While the provision of compliance services has been outsourced, this remains under the oversight of the Board, in particular the function holder, and the Board retains full responsibility.

B4.3.2 Independence and Authority of Compliance Function

Due to the outsourced nature of the compliance function, the function is operationally independent from the other areas of the business.

The compliance function is authorised to access all areas of the business and is therefore entitled to full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

B5 Internal audit function

B5.1 Implementation of the Internal Audit Function

Internal Audit is an objective and independent activity, whose role is to help management achieve the Company's objectives by constantly improving the effectiveness of the Company's operations.

It is responsible for evaluating management's approach to risk management and governance, with particular emphasis on systems of internal control. It investigates the manner in which the Company's processes and controls operate in order to assess their effectiveness in ensuring compliance with strategy and policies.

Internal Audit aims to assist management by identifying areas of significant risk and proposing improvements where required.

PREMIUM's Internal Audit function covers all aspects of the Company's business. In particular, it will consider:

- Governance and business planning
- Underwriting and policy administration
- Claims handling and reserving
- Investment
- Finance/Accounting
- IT

As a small company, PREMIUM does not have the resources for an in-house Internal Audit function. Nor can it rely on its outsourced service providers or individuals within the Branch Office to fill this role, as they are closely involved in the business and therefore not independent. However, the Company's small size ensures that all members of the management team are closely involved in the operations, including the controls, and therefore the need for assurance about this area is more limited that it would be in a larger business.

The proposed structure of Internal Audit is therefore considered to be proportionate to the nature, scale and complexity of the business.

Internal Audit must be objective, impartial and independent and not subject to influence from the Board or management. Accordingly, and taking account of the company's small size, PREMIUM will in the future outsource the internal audit function to an appropriate accountancy firm with the required skill set and level of independence.

B5.2 Independence and Objectivity of the Internal Audit Function

Due to the outsourced nature of the Internal Audit function, the function will be operationally independent from the other areas of the business.

Internal Audit is authorised to review all areas of the Company and its business and is therefore entitled to have full and unrestricted access to all information, records, property, personnel and activities.

Staff and management (even if not staff of the Company) have a duty to make all requested information available promptly and to assist with any enquiries.

The Board will approve the audit plan and is free to request additional areas to be reviewed by Internal Audit. In addition, the Board receives and reviews the reports produced by Internal Audit. However, the Board does not otherwise seek to instruct or influence the internal audit team.

B6 Actuarial function

B6.1 Implementation of Actuarial Function

The role of the Actuarial function is to provide the Board with an independent perspective on key insurance aspects of the Company's operations. This will ensure that the Board is fully informed of matters that may impact the business

PREMIUM's Actuarial Function covers all aspects of the business with regard to insurance risks. This encompasses:

- Underwriting
- Reinsurance
- Other risk mitigations
- Reserving
- Capital
- Data

The Internal Actuarial function has been delegated to Mojmir Vedej a Director and highly experienced insurance industry professional.

Specific duties of the Actuarial Function include, but are not limited to:

- Oversee the calculation of technical provisions
- Confirm appropriateness of methodologies and assumptions
- Validate methodologies and carry out back-testing against experience
- Ensure consistency, accuracy and reliability of data
- Provide an opinion on the underwriting policy and reinsurance arrangements
- Periodically report to the Board

The Function is held by the director of the Company therefore it has the required authority to fill its role.

PREMIUM is also going to outsource the External Actuarial function to a company, which has the skills, knowledge and expertise to provide the services and is entirely independent from operational aspects of the business.

PREMIUM's external actuaries will be responsible for filling the following functions:

- Scrutiny and validation of calculation of technical provisions
- Assessment of the appropriateness of methodologies and assumptions used and consistency with Articles 76 to 85
- High-level review of other tasks carried out by the in-house Actuarial function

The Actuarial function will report its findings to the Board at least annually, covering all areas for which it is responsible. The report should be appropriate to assist the Board in its decision-making process and to identify to the Board areas where improvements are required. The report should also identify any material uncertainty about data accuracy and explain the approach taken in light of this uncertainty.

B7 Outsourcing

B7.1 Outsourcing Policy

PREMIUM is a small insurance company run by a small Board of directors and Sub-committees and operates a model whereby most of the services required are outsourced, either to third party providers or to the Slovakian Branch Office. While this creates additional risk, it enables the Company to operate in the most effective manner.

Outsourcing is defined as the contracting out of all or part of an internal process or internal activities to a third party provider on a continuous basis. PREMIUM has in place an outsourcing policy which ensures that all outsourcing will:

- Support PREMIUM's business strategy and key objectives
- Provide customers with an experience at least as good – or better – than an in-house alternative
- Enable PREMIUM to deliver a service experience to customers at a cost consistent with the Company's cost objectives/budget/business plan
- Enable PREMIUM to exercise control over outsourced service providers to ensure that any risks are properly identified, understood and appropriately mitigated
- Enable PREMIUM to demonstrate that its responsibilities in respect of outsourced activities are being effectively discharged

While PREMIUM outsources certain key activities, the Company retains all decision-making powers and ultimate responsibility for the outsourced services.

B7.2 Outsourced Functions and Activities

The following table sets out the key functions outsourced by PREMIUM:

Significant function	**Jurisdiction**
Compliance	Gibraltar
Company secretarial services	Gibraltar
Internal Audit	Gibraltar - Not yet appointed
External Actuarial	Not yet appointed
Policy administration and processing (including provision of MI)	Slovak Republic
Claims handling, reserving and settlement	Slovak Republic
Finance	Gibraltar

B8 Any other information

B8.1 Adequacy of Systems of Governance

PREMIUM is a small company with the directors closely involved in all key aspects of the business. The Company is not complex, focussing mainly on a few lines of business, with known and fully understood risks. The systems of governance have therefore been established taking due account of the principle of proportionality, being appropriate to the size, nature and scale of the operations.

The Board has in place a process of regularly evaluating the effectiveness of the systems of governance. In addition, governance falls within the remit of both internal and external audit and the risk management function continuously assesses relevant legislation, guidance, advice and best practice to ensure that the systems of governance are updated and maintained at all times.

The Systems of Governance as set out in this document will be reviewed on a periodic basis to ensure:

- that they are appropriate to the nature, scale and complexity of the business;
- that they are operating in line with this document;
- that the key functions are appropriately meeting their responsibilities.

Initially, the Board will carry out an assessment of its own effectiveness and that of the systems of governance on an annual basis. This will take the form of questionnaires and discussions between members of the Board, together with input from relevant representatives from both Artex and the Branch Office in Slovakia.

A further independent review will be carried out on an annual basis by the Internal Audit function with respect to most areas. The review of the effectiveness of the Internal Audit function itself will be carried out by the Board.

In addition, the Board may select any areas of governance where it has particular concerns for an in depth review on an ad hoc basis.

B8.1 Any other Material Information

PREMIUM's Corporate Governance Framework has been approved by the Board on 25 January 2017.

C Risk Profile

PREMIUM's governance framework sets out the type and level of risk which the Company is willing to accept in the achievement of its strategic objectives. This framework provides both qualitative and quantitative measures and limits, which are taken into account in making key business decision.

PREMIUM's business focusses primarily on carefully selected elements of property insurance, with some further diversification intended through a small portfolio of related general liability and Casco motor business. The company does not intend to diversify into unknown areas without first acquiring the necessary knowledge and expertise to do so.

With regard to investments, PREMIUM pursues a strategy which is focussed on capital preservation, thus adopting a careful and conservative investment policy.

PREMIUM's risk profile at 31 December 2016 is set out in the table below:

Risk Category	% of SCR at 31 December 2016
Underwriting risk	7.025%
Market Risk	0.004%
Counterparty (Credit) Risk	92.915%
Operational Risk	0.056%

C1 Underwriting risk

C1.1 Material Risks

Insurance risk is comprised of underwriting and reserving risk and is the primary risk in the business. Appropriate underwriting and risk selection/pricing are directly linked in a continuous feedback cycle to reserving and claims development and are the fundamental drivers in enabling business performance to be managed.

Control over insurance risk is directly linked to the strategy in the need to deliver sustainable underwriting profit through the market cycle.

Underwriting risk arises from the risk of loss from changes in insurance liabilities. This can arise from inadequate pricing or risk selection, inappropriate reserving, or other fluctuations in the timing, frequency and severity of insured events.

The following are the key underwriting risks identified by management:

- Risks priced too low, resulting in unprofitable business being written
- Undesirable market segments targeted, resulting in unprofitable business being written
- Inappropriate reinsurance strategy, resulting in insufficient protection or excessive cost
- Under-reserving for claims, resulting in deteriorating performance and inappropriate decision making
- Increase in frequency of claims, resulting in financial loss
- Fraudulent claims which are undetected, resulting in excessive claims cost
- Increase in the cost of claims, resulting in financial loss

C1.2 Material Risk Concentrations

The Company primarily writes property and liability risks. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events).

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

C1.3 Risk Mitigations

PREMIUM has various risk mitigations in place, including certain controls to manage insurance risk and appropriate risk transfer mechanisms.

The primary risk transfer mechanisms used are the Excess of Loss Reinsurance and Quota Share reinsurance arrangements in place. These are set at a level consistent with a company of PREMIUM's risk profile.

The main controls in place help to reduce the level of underwriting and reserving risk are:

- Detailed review of monthly MI to monitor underwriting and claims performance
- Close oversight/management of the claims handler
- Periodic audits of the claims handler
- Annual independent actuarial reviews
- Regular updates of the risk register, including reporting of any risk events
- Stress testing of loss ratios as part of the ORSA process
- In-house oversight and control of large claims

Only two policies were incepted since the company started to trade in December 2016. A General Liability policy covered a two-day period only and the Company did not consider reinsurance to be necessary for this, and the Industrial property risk was 100% reinsured so there was no exposure attached.

C1.4 Stress and Sensitivity Testing

As part of the ORSA process, insurance risk will be subject to stress and scenario tests. These tests are intended to assess the likely impact of adverse situations on the company's capital requirement and also assess those factors or combination of factors which may cause the company to fail. Stress and scenario tests will include:

- Changes in premium volumes
- Changes in reinsurance programmes
- Changes in future loss ratios
- Changes in run-off of existing reserves

C2 Market risk

C2.1 Material Risks

Market risk arises from changes in the income generated by investments or from changes in the value of such investments and includes:

- Interest rate risk
- Spread risk
- Equity risk
- Currency risk
- Property risk
- Concentration risk

PREMIUM has in place a detailed investment policy, which sets out that investments are limited to relatively standard and easily-understood investments, it also sets out certain limits with regard to rating, diversification and other measures, taking into account the nature and duration of the Company's liabilities.

PREMIUM will outsource investment management to carefully selected and experienced investment managers who will operate under an approved investment policy and within agreed guidelines. As well as setting limits with regard to the type of investments and the rating of counterparties, the policy sets a benchmark return and imposes limits on exposure to single counterparties. The Investment Committee meets on a regular basis to assess the performance of the portfolio and recommend any changes which may need to be made.

The main market risks to which the Company will be exposed are:

- Loss in the value of investments or categories of investments due to market factors

- Inappropriate investment guidelines which do not meet the Company's requirements

C2.2 Material Risk Concentrations

As PREMIUM only started trading in December 2016 all funds were kept as cash deposits with the Company's bankers.

An appropriate amount of the Company's cash will be invested in a diversified investment portfolio and is therefore not expected to be exposed to any material market risk concentration.

C2.3 Risk Mitigations

At the end of the reporting period all funds were kept as cash deposits therefore the only risk mitigation available was to ensure that any deposit is placed with trustworthy and reliable banks.

In the future PREMIUM will mitigate market risk through the following mechanisms:

- Regular review of investment performance
- Use of an investment manager
- Diversification within the investment portfolio

- Adherence to the investment policy

C2.4 Prudent Person Principle

PREMIUM has in place a detailed investment policy, which sets out that investments are limited to relatively standard and easily-understood products; it also sets out certain limits with regard to rating, diversification and other measures, taking into account the nature and duration of the Company's liabilities.

In adopting a conservative investment policy, the Company does not solely rely on investment risk being captured by capital requirements, but sets its own limits to minimise risk where possible. PREMIUM does not pledge or lend investments.

The investment policy is discussed and reviewed on a regular basis and investment reports are produced for the Committee members on a monthly basis, thus enabling monitoring of performance against agreed measures. In addition, the company holds regular meetings with its investment managers, thus ensuring that management is aware of the wider financial market environment, how this could impact PREMIUM and the appropriate action to be taken to minimise any such impact.

PREMIUM does not undertake any unusual or non-routine investment activities, including investment in securitised instruments. However, should any such investments be proposed, the Investment Committee will:

- assess the impact on the Company's risk profile, consider whether a revised ORSA is required as a result and make the necessary recommendation to the Board;
- ensure that appropriate skills are in place to manage and monitor the investment activity – either internally or within the investment manager;
- demonstrate to the Board how the proposed investment activity will improve the portfolio as a whole.

The risk-averse investment policy ensures careful selection of appropriate assets by the investment managers, thereby minimising the likelihood of loss where possible, preserving assets and ensuring sufficient liquidity. This ensures that the interests of policyholders are protected.

In particular, the Company's risk management policy clearly sets out the process that would need to be followed if PREMIUM decided to undertake any unusual or non-routine investment activities. This will include assessing the impact on the Company's risk profile, ensuring that the appropriate skills are in place to manage and monitor the investment activity, and demonstrating that the activity will improve the portfolio as a whole.

C2.5 Stress and Sensitivity Testing

As part of the ORSA process, investment risk will be subject to stress and scenario tests. These tests are intended to assess the likely impact of adverse situations on the company's capital requirement. Stress and scenario tests will include some of the following:

- Changes in credit rating
- Reduction in the value of investments
- Lower than expected investment returns

C3 Credit risk

C3.1 Material Risks

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the Company is exposed to credit risk are amounts due from brokers, reinsurers, co-insurers and cash investment holdings.

PREMIUM aims to minimise the credit risk arising from its operations through the careful selection of counterparties and close management and control of amounts due to the Company.

C3.2 Material Risk Concentrations

As PREMIUM only started trading in December 2016 all company funds were kept as cash deposits with the Company's bankers and around 99% of the outstanding premium income was due from a single corporate client.

C3.3 Risk Mitigations

Company funds were deposited with a long established, trustworthy and reliable bank. Both policies incepted during the period were for long established and reputable corporate businesses and reinsurance on the property case was placed with an appropriately rated reinsurance partner.

PREMIUM has various controls in place to mitigate credit risk. The key controls are:

- Distribution through multiple brokers (although it is acknowledged that there is significant dependence on the largest brokers)
- Appropriate rating for reinsurance counterparties
- Use of an experienced reinsurance broker
- Ensuring reinsurance counterparties are appropriately rated (A- or better)
- Monitoring reinsurance recoveries
- Ensuring banking counterparties are appropriately rated

The level to which these controls reduce the risks to which PREMIUM is exposed is set out in the risk register.

C3.4 Stress and Sensitivity Testing

As part of the ORSA process, credit risk will be subject to stress and scenario tests. These tests are intended to assess the likely impact of adverse situations on the company's capital requirement. Depending on their impact, stress and scenario tests will include some of the following:

- Failure of a broker to pay amounts due
- Failure of a key policyholder or group of policyholders to pay amounts due
- Change in the credit rating of a reinsurance counterparty
- Failure of a banking counterparty

C4 Liquidity risk

C4.1 Material Risks

Liquidity risk is that the Company cannot meet its obligations when they fall due. The Company maintains significant holdings in liquid funds to mitigate this risk. The Company regularly monitors forecasts and actual cash flows to control its cash flow and working capital requirements.

The Company is exposed to liquidity risk arising from insurance co-insurers and re-insurers. Liquidity management ensures the Company has sufficient access to funds to cover insurance claims, surrenders, withdrawals and maturing liabilities.

The Company considers the assets it holds to be more liquid than the related liabilities and that liquidity risk is not considered to be significant.

C4.2 Material Risk Concentrations

There are no material liquidity risk concentrations other than those described in the credit risk section.

C4.3 Risk Mitigations

The Company aims to ensure that it has sufficient liquid cash at all times, with additional funds being available from the liquid elements of the investment portfolio. Liquidity risk will be mitigated through the carefully structured and diversified investment portfolio and the funds held with banks.

C4.4 Stress and Sensitivity Testing

As part of the ORSA process, liquidity risk will be indirectly subject to stress and scenario tests via other risk areas. These tests will reflect the cash flow impact of stresses, which in turn directly impact on both the SCR and the Solvency II free reserves.

C4.5 Expected Profit in Future Premiums

The amount of expected profit in future premium as at December 2016 is nil.

C5.1 Material Risks

Operational risk arises from failed internal processes, procedures or controls, from personnel or systems failures, from external events or from a failure to comply with legislation, regulations or other obligations. Reputational risks have also been considered in this category.

PREMIUM has identified the following key operational risks:

- A key service provider is unable to continue to provide the required services to PREMIUM
- Incomplete or inadequate management information
- Unreliable policy records
- Unreliable claims records
- Fraud - internal
- Fraud - external

- Breach of Data Protection Law
- System failure - hardware/software/3rd party
- Malicious acts - hacking/viruses/industrial espionage
- Unable to process invoices due to absence of appropriate signatories.
- Hard Brexit

Operational risks are identified, assessed and set out in PREMIUM's risk register, along with appropriate controls. There is a process for regular reporting of risk events.

The risk register is discussed on a regular basis by the PREMIUM Board, with input from all relevant functions and activities within the business.

C5.2 Material Risk Concentrations

The Company aims to minimise operational risk wherever possible. However, while controls and processes are in place, due to PREMIUM's small size these are concentrated in the hands of a small number of senior members of the management team. This creates additional risk such as the ability to override controls.

It is the Company's policy to record its actual and potential risks in a risk register. This sets out the key risks to which the company is exposed and the controls in place to mitigate this risk. Additionally, a log is maintained to monitor risk events when they occur, recording the cause of the event, the impact and any remedial actions that have been taken.

C5.3 Risk Mitigations

PREMIUM has various controls in place, as set out in the risk register, to mitigate operational risk.

The key controls are:

- Four-eyes processes for MI production and analysis (within the Branch Office in Slovakia)
- Detailed analysis and review of monthly MI
- Four-eyes processes for financial information
- Four-eyes processes for payments
- Oversight, monitoring and audits of the claims handler
- Data integrity and other IT controls
- Disaster Recovery and Business Continuity plans

The level to which these controls reduce the risks to which PREMIUM is exposed is set out in the risk register.

There are no anticipated changes in risk mitigations over the business planning period.

C5.4 Stress and Sensitivity Testing

As part of its annual ORSA, PREMIUM will specifically consider the likely impact if certain operational risk events occur.

- Failure of MI checks resulting in unreliable data and ultimately poor decision-making
- Failure of claims audits, resulting in deterioration in reserves

- Failure of fraud prevention checks resulting in financial losses
- Failure of IT systems resulting in loss of business and/or data
- Failure of control over expenses/payments resulting in financial losses
- Catastrophic man-made or natural events (e.g. fire, flood, major changes in the market etc.) resulting in unforeseen losses

These risk events will be reflected in other scenarios, such as loss ratio and premium volume stresses, rather than as stand-alone stress tests. Potential external events are considered as part of the Company's reputational risk.

C7 Any other information

As PREMIUM is a start-up business, it is therefore exposed to the possibility that the level of business projected to be written is not achieved, that the loss ratios are higher than projected or that other costs of the business are greater than expected.

In addition to these risks, PREMIUM will be exposed to wider market changes, for example if the standard level of cover under certain policies changes, if reinsurers' appetites for these risks decline or the cost of cover increases materially or if there is significant claims inflation.

While PREMIUM cannot mitigate such risks, the risk management process in the business will ensure that they are identified promptly and any remedial action is taken. In addition, the extensive experience of the principals in these markets and the branch structure of the business will help to reduce the likelihood of these risks materialising.

At a minimum, the assumptions and projections underlying both the financial forecast and the solvency calculation will be formally reviewed on a quarterly basis during the start-up phase of the business.

D Valuation for Solvency Purposes

D1 Assets

The following bases, methods and assumptions have been used in valuing each material class of assets for Solvency II purposes.

The material classes of assets as at 31 December, except for reinsurance technical provisions, are as set out in the table below:

	Solvency II value	Statutory accounts value
	€	€
Intangible assets	-	64,000
Property, plant & equipment held for own use	-	611
Cash and cash equivalents	4,898,830	4,898,830
Deferred acquisition costs	-	29,992
Insurance and intermediaries receivables	-	118,695
Reinsurance receivables	-	44,481
Any other assets, not elsewhere shown	-	17,668

Unless otherwise stated no significant estimates or judgements have been made in arriving at the valuation of the assets.

There have been no changes in the valuation and recognition basis during the period.

D1.1 Intangible Assets

At 31 December 2016, PREMIUM held an intangible asset valued at €64,000, representing software acquisition and development costs. For GAAP purposes, this asset has been valued on an amortised cost basis, and no significant estimate or judgement has been made.

Software has been acquired from and developed by the external software company.

The valuation of software is different for Solvency II as it has no resale value.

D1.2 Property, plant & equipment held for own use (tangible asset)

At 31 December 2016, PREMIUM held tangible assets valued at €611, representing equipment acquisition costs less accumulated depreciation. For GAAP purposes, this asset has been valued on an amortised cost basis, and no significant estimate or judgement has been made.

For Solvency II purposes this equipment has been valued at nil as it has no resale value.

D1.3 Cash and Cash Equivalents

At the period end, PREMIUM held €4,898,830 either in term deposits, or in cash and cash equivalents with banking counterparties. All amounts are held in Euro (€) either in Gibraltar or the Slovak Republic.

Deposits, cash and cash equivalents are valued at fair value, based on the actual balances held and PREMIUM receives monthly statements to confirm the balances held.

The valuation of these assets is the same for GAAP and Solvency II.

D1.4 Deferred Acquisition Costs

Deferred acquisition costs represent commission and similar expenses directly related to the acquisition of policies, which are deferred over the period relating to the underlying unearned premiums. At 31 December 2016 deferred acquisition costs amounted to €29,992.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred acquisition costs do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet.

D1.5 Insurance and Intermediaries Receivables

Insurance and intermediaries receivable items represent premiums owed to PREMIUM from the co-insurance partner. At the year end, the Company was owed €118,695.

Premiums receivable are valued at fair value, being the amounts recoverable.

While the assets are valued on a consistent basis both for GAAP and Solvency II, for Solvency II valuation purposes such assets are set against technical provisions to the extent that they are not overdue.

D1.6 Receivables (not insurance)

Other receivable amounts consist of commission payable as part of a re-insurance agreement, as at 31 December 2016 the amount due to PREMIUM was €44,481.

Commissions receivable are valued at fair value, being the amounts recoverable.

There are no difference in the underlying valuation for GAAP and Solvency II. However, for Solvency II purposes these items, to the extent they are not considered overdue, are set against technical provisions reinsurance recoverables, whereas under GAAP they are shown separately on the balance sheet.

C1.7 Any Other Assets

Other assets represent prepayments and accrued income. At 31 December 2016 other assets amounted to €17,668.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Prepayments do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet.

D2 Technical provisions

Technical Provisions represent the insurance liabilities as at the reporting date. PREMIUM's gross and net Technical Provisions by business line are set out in the table below:

	Fire and other damage to property €
Gross Best Estimate Technical Provisions	433
Risk Margin	174
Total Gross Technical Provisions	**606**
Reinsurance Recoverables	13,552
Net Technical Provisions	**14,159**

D2.1 Bases, Methods and Assumptions

D2.1.1 Best Estimate

The starting point for the valuation of technical provisions is the best estimate of claims costs, both on earned and on unearned exposure, for all business written at the valuation date. In the future this assessment will be carried out by the independent, external actuary.

Due to the short trading period and the fact that only two policies were incepted by the end of December 2016 estimated loss ratios were used as a best estimate. Estimated loss ratios used for the best estimate are the same ratios which were used for the financial forecasting prepared as a part of the licensing process

Management then apply estimated payment patterns to the best estimate, based on historical information and reasonable assumptions and judgements, to convert the best estimate to future cash flow.

D2.1.2 Expenses

The cost of running off the existing insurance obligations is estimated on the basis that the company will continue to write other business. This is based on the current levels of expenditure and takes due account of decreasing activity in the existing business lines.

D2.1.3 Events Not in Data

There may be possible future events which are not reflected in the historical data of the Company or the market. Such events are referred to as Events Not in Data ("ENIDs").

PREMIUM considers a number of scenarios and events which could occur and assesses their potential impact. Where this assessment concludes that the negative impact of ENIDs (i.e.

increasing reserves) is greater than the potential positive impact (i.e. decreasing reserves), the Company makes provision for such events.

At 31 December 2016, management reached the conclusion that no provision for ENIDs was required.

D2.1.4 Bound but not Incepted

At 31 December 2016, PREMIUM did not make a provision for bound but not incepted risks, as these were not considered to be necessary.

D2.1.5 Discounting

Cash flows are discounted using the risk free interest rate structure as provided on a monthly basis by EIOPA.

D2.1.6 Risk Margin

The risk margin is calculated using simplification method 3. This assumes that future SCRs are proportional to the best estimate technical provisions over time and projects future SCRs at this rate. A cost of capital rate of 6% is applied to each SCR estimate and discounted back using EIOPA yield curves.

D2.1.7 Allocation to Lines of Business

Best estimates and cash flows are calculated separately for each line of business.

D2.1.8 Reinsurance Recoverables

At the end of the reporting period PREMIUM has reinsurance recoverables arising from its Quota Share arrangement. Such items are calculated on a consistent basis with gross technical reserves, reflecting best estimates of both expired and unexpired risks, converted to cash flows and discounted at the appropriate risk free rate.

Amounts due from and payments due to reinsurers are included in the technical provision to the extent they are not overdue. The calculation also makes allowance for the possibility of insurer default, based on the counterparty's rating and the level of exposure.

D2.1.9 Simplifications

No simplifications were used.

D2.2 Uncertainty

Technical provisions require judgement and estimations and therefore contain an element of uncertainty. Key areas of uncertainty in PREMIUM's technical provisions are:

- Outstanding reserves: Reserves on reported claims are based on reasonable estimates, reflecting information known at the balance sheet date. Ultimate settlement of these claims may differ from estimates.

- Future losses: Future losses arise on both expired and unexpired risks and the estimation of these losses is based on actuarial assumptions. Such assumptions will take account of past performance and known or anticipated future changes, and may ultimately prove to differ from actual experience.
- Other estimates: Technical provisions include assumptions as to expenses, events not in data and bound but not incepted risks. While these assumptions are prepared on a best estimate basis, reflecting historical experience where appropriate, they could ultimately prove to be inappropriate.
- Legislative and market factors: Changes in the future are difficult to predict, but could ultimately impact best estimates and future cash flow.

PREMIUM will in the future seek to minimise the level of uncertainty through a robust process involving external actuarial advice. Claims performance will be closely monitored to ensure that changes in trends are identified and appropriately reflected in future projections.

D2.3 Differences between Solvency II and GAAP Valuation

The starting point for both Solvency II and GAAP valuation of technical provisions is the best estimate reserves. Key difference between the valuations bases are:

- GAAP valuation of gross reserves may include a management load. Solvency II valuation is required to be at best estimate and any management load is removed
- GAAP valuation includes unearned premium, being the premium which reflects the unexpired risk exposure. Under Solvency II, the unearned premium is replaced by future claims expected to arise on this unearned exposure
- GAAP reserves do not include run-off expenses
- GAAP reserves to not include events not in data
- GAAP reserves do not make allowance for bound but not incepted business
- GAAP reserves are calculated without a risk margin
- Insurance and intermediaries receivables are set against total gross technical provisions for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate item on the balance sheet for GAAP reporting
- Reinsurance receivables and payables are set against technical provision reinsurance recoverables for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate items on the balance sheet for GAAP reporting

The table below shows the movement from GAAP technical provisions to Solvency II technical provisions.

	Gross Technical Reserves	Reinsurance Recoverables	Total
	€	€	€
GAAP Reserves	107,114	107,114	-
Remove Unearned Premium net of future cancellations	(107,114)	(107,114)	-
Claims on Unexpired Risks	58,913	58,913	-
Receivables/Payables	(118,695)	(72,575)	(46,120)
Run-off Expenses and Other Adjustments	60,000	-	60,000
Effect of Discounting	215	110	105
Risk Margin	174	-	174
Solvency II Technical Provisions	606	(13,552)	14,159

D2.4 Transitional adjustments

PREMIUM has not used any transitional adjustments with regard to the matching adjustment, volatility adjustment, transitional risk free interest rate term structure or transitional deduction.

D2.5 Changes over the Period

This is the first time technical provisions have been reported by the Company and as such there have been no changes in the assumptions made.

D3 Other liabilities

The following bases, methods and assumptions have been used in valuing each material class of liabilities for Solvency II purposes.

The material classes of liabilities as at 31 December 2016, except for gross technical provisions, are as set out in the table below:

Liabilities	Solvency II value	Statutory accounts value
	€	€
Reinsurance payables	-	117,056
Payables (trade, not insurance)	83,579	83,579
Insurance & intermediaries payables	32,776	32,776
Any other liabilities, not elsewhere shown	-	40,703

Unless otherwise stated no significant estimates or judgements have been made in arriving at the valuation of the assets.

There have been no changes in the valuation and recognition basis during the period.

D3.1 Reinsurance Payables

At 31 December 2016 PREMIUM had €117,056 of reinsurance payables, being payments due under the Facultative Quota Share arrangement. The amount due represents the reinsurer's shares of gross premium income. Settlements will be made following receipt of the corresponding premium income.

The balance is valued at fair value, being the actual amounts payable.

There are no differences in the underlying valuation for GAAP and Solvency II. However, for Solvency II purposes these items, to the extent they are not considered overdue, are set against technical provisions reinsurance recoverables, whereas under GAAP they are shown separately on the balance sheet.

D3.2 Payables (trade, not insurance)

Payables (trade, not insurance) relate to balances owed to suppliers for the goods sold and services provided during the period. These amounts are valued at fair value, being the actual amounts payable. Total payables (trade, not insurance) as at 31 December 2016 were €83,579.

The balance is valued at fair value, being the actual amounts payable.

There are no difference in the underlying valuation for GAAP and Solvency II.

D3.3 Insurance & intermediaries payables

At 31 December 2016 PREMIUM had €32,776 of Insurance and intermediaries payables, being broker commission payable to the co-insurance partner.

The balance is valued at fair value, being the amount that is due for settlement.

The valuation basis is the same for GAAP and Solvency II purposes and there have been no changes in the valuation approach during the year.

D3.3 Other liabilities

PREMIUM receives commission from its reinsurance partners. This is earned in line with the underlying premium, and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2016, PREMIUM had a total of €40,703 of deferred commission.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred reinsurance commissions do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet.

D4 Any other information

There are no other material matters with regard to the Company's technical provisions.

E Capital Management

E1 Own funds

E1.1 Management of Own Funds

E1.1.1 Objectives, Policies and Processes in Managing Own Funds

PREMIUM has in place a Capital Management Policy to ensure that the Company has the appropriate levels and quality of capital to meet both the SCR and the internal view of capital as determined by the ORSA. The intention is for capital requirements to be met in both the immediate and medium-term future.

While PREMIUM's ORSA process is carried out formally on an annual basis, the capital requirements and own funds to meet these requirements are considered at least quarterly as part of the quarterly regulatory reporting process. The Board discusses the Company's capital position at all meetings as part of its risk management processes and monitors ongoing performance through monthly management accounts.

There have been no changes in capital management policies or processes during the period.

E1.1.2 Time Horizon for Business Planning and Material Changes

PREMIUM's business planning period for capital management encompasses a three year time horizon, with emphasis on the current and next year.

There have been no changes in the planning time horizon during the period.

E1.2 Description of Own Funds

E1.2.1 Structure, Amount and Quality of own funds

PREMIUM currently only has basic own funds and no ancillary own funds. Own funds are comprised entirely of Share Capital and the Reconciliation Reserve and therefore all qualify as Tier 1 funds. The table below set out PREMIUM's own funds at 31 December 2016, together with movements during the period:

	Ordinary Share capital	**Reconciliation Reserve**	**Total**
	€	**€**	**€**
At 18 November 2015	-	-	-
Share capital injection	5,000,000	-	5,000,000
Loss for the financial period	-	(99,837)	(99,837)
At 31 December 2016	5,000,000	(99,837)	4,900,163

The Company's Reconciliation Reserve effectively represents retained earnings on a Solvency II valuation basis. There are no foreseeable dividends.

E1.2.2 Terms and Conditions of Own Funds

PREMIUM's own funds are fully comprised of Tier 1 funds and have no terms or conditions attached and there are no restrictions affecting the availability and transferability of the Company's Own funds. The own funds are not redeemable and do not carry any guaranteed dividend or other return.

E1.2.2 Difference in Own Funds between Financial Statements and Solvency II Valuation

The difference in the valuation of own funds as shown in the Financial Statements compared to the Solvency II valuation is due to the valuation differences in the underlying assets and liabilities, as set out in the table below:

	Own Funds
	€
Own Funds per Financial Statements	4,900,163
Difference in Valuation of net Technical Provisions	(60,279)
Removal of Deferred Acquisitions and Processing Costs	(29,992)
Removal of Prepayments	(17,668)
Removal of Deferred Commissions	40,703
Removal of intangible assets	(64,000)
Removal of fixed assets	(611)
Own Funds per Solvency II Valuation	4,768,317

E2 Solvency Capital Requirement and Minimum Capital Requirement

E2.1 MCR and SCR

PREMIUM's SCR and MCR coverage is set out below:

Own Funds per Financial Statements	€4,900,163
Solvency Capital Requirement	€1,202,493
SCR Coverage	4.07
Minimum Capital Requirement	€3,700,000
MCR Coverage	1.32

All capital is Tier 1 and therefore fully eligible to cover the SCR and MCR.

During the period PREMIUM was fully compliant with the capital requirements.

E2.2 SCR by Risk Module

The table below shows the different risk module components of the SCR, taken directly from the standard formula model that PREMIUM uses. It clearly shows that the Counterparty risk is by far the largest component of the total.

Capital Components

	2016
	€
SCR Interest Rate	59
SCR Market risk	**59**
SCR Counterparty Type 1	1,142,296
SCR Counterparty Type 2	17,804
Sub Total	1,160,100
Less Diversification	4,391
SCR Counterparty	**1,155,709**
SCR Non-Life Prem/Res Risk	87,378
SCR Non-life risk	**87,378**
Total	**1,243,146**
Less Diversification	41,348
BSCR	**1,201,798**
SCR Operational	**695**
SCR	**1,202,493**
MCR	**3,700,000**

E2.3 Simplifications

No simplified calculations have been used in applying the standard model and no undertaking specific parameters have been used.

E2.4 Inputs used to Calculate the MCR

The following inputs have been used to calculate the Company's MCR:

	Net (of reinsurance) best estimate technical provisions	**Net (of reinsurance) written premiums in the last 12 months**
	€	**€**
Fire and Other Damage to Property	13,985	1,639

	€
Linear MCR	1,437
SCR	781,236
Combined MCR	195,309
Absolute Floor of the MCR	3,700,000
Minimum Capital Requirement	3,700,000

E.2.5 Changes over the Period

This is the first period over which the SCR and MCR have been reported.

E3 Non-compliance with Minimum Capital Requirement or Solvency Capital Requirement

During the period PREMIUM was fully compliant with both Minimum Capital Requirement and Solvency Capital requirements.

Templates

Balance sheet

S.02.01.01.01

		Solvency II value	Statutory accounts value
		C0010	C0020
Assets			
Deferred acquisition costs	R0020		29,992.00
Intangible assets	R0030		64,000.00
Property, plant & equipment held for own use	R0060		611.00
Reinsurance recoverables from:	R0270	-13,552.13	107,114.00
Non-life and health similar to non-life	R0280	-13,552.13	107,114.00
Non-life excluding health	R0290	-13,552.13	107,114.00
Insurance and intermediaries receivables	R0360		118,695.00
Reinsurance receivables	R0370		44,481.00
Cash and cash equivalents	R0410	4,898,830.00	4,898,830.00
Any other assets, not elsewhere shown	R0420		17,668.00
Total assets	R0500	4,885,277.87	5,281,391.00
Liabilities			
Technical provisions – non-life	R0510	606.44	107,114.00
Technical provisions – non-life (excluding health)	R0520	606.44	107,114.00
Best Estimate	R0540	432.70	
Risk margin	R0550	173.74	
Insurance & intermediaries payables	R0820	32,776.00	32,776.00
Reinsurance payables	R0830		117,056.00
Payables (trade, not insurance)	R0840	83,579.00	83,579.00
Any other liabilities, not elsewhere shown	R0880		40,703.00
Total liabilities	R0900	116,961.44	381,228.00
Excess of assets over liabilities	R1000	4,768,316.43	4,900,163.00

Non-Life & Accepted non-proportional reinsurance

S.05.01.01.01

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		Total
		Fire and other damage to property insurance	General liability insurance	
		C0070	C0080	C0200
Premiums written				
Gross - Direct Business	R0110	117,056.00	1,639.00	118,695.00
Reinsurers' share	R0140	117,056.00	0.00	117,056.00
Net	R0200	0.00	1,639.00	1,639.00
Premiums earned				
Gross - Direct Business	R0210	9,942.00	1,639.00	11,581.00
Reinsurers' share	R0240	9,942.00		9,942.00
Net	R0300	0.00	1,639.00	1,639.00
Expenses incurred	R0550	100,113.00	1,363.00	101,476.00
Claims management expenses				
Gross - Direct Business	R0810	3,450.00	48.00	3,498.00
Net	R0900	3,450.00	48.00	3,498.00
Acquisition expenses				
Gross - Direct Business	R0910	2,784.00	0.00	2,784.00
Net	R1000	2,784.00	0.00	2,784.00
Overhead expenses				
Gross - Direct Business	R1010	93,879.00	1,315.00	95,194.00
Net	R1100	93,879.00	1,315.00	95,194.00
Other expenses	R1200			
Total expenses	R1300			101,476.00

Non-life obligations for home country

S.05.02.01.01

		Home country	Country (by amount of gross premiums written) SK	Total for top 5 countries and home country (by amount of gross premiums written)
		C0080	C0090	C0140
Premiums written				
Gross - Direct Business	R0110		118,695.00	118,695.00
Reinsurers' share	R0140		117,056.00	117,056.00
Net	R0200	0.00	1,639.00	1,639.00
Premiums earned				
Gross - Direct Business	R0210		11,581.00	11,581.00
Reinsurers' share	R0240		9,942.00	9,942.00
Net	R0300	0.00	1,639.00	1,639.00
Expenses incurred	R0550		101,476.00	101,476.00
Other expenses	R1200			
Total expenses	R1300			101,476.00

Non-Life Technical Provisions

S.17.01.01

		Segmentation for: Direct business and accepted proportional reinsurance		Total Non-Life obligation
		Fire and other damage to property insurance	General liability insurance	
		C0080	C0090	C0180
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross - Total	R0060	432.70	0.00	432.70
Gross - direct business	R0070	432.70		432.70
Gross - accepted non-proportional reinsurance business	R0090			0.00
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	-13,540.74	0.00	-13,540.74
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	-13,540.74		-13,540.74
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-13,552.13		-13,552.13
Net Best Estimate of Premium Provisions	R0150	13,984.83	0.00	13,984.83
Total Best estimate - gross	R0260	432.70	0.00	432.70
Total Best estimate - net	R0270	13,984.83	0.00	13,984.83
Risk margin	R0280	173.74		173.74
Technical provisions - total				
Technical provisions - total	R0320	606.44	0.00	606.44
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-13,552.13	0.00	-13,552.13
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	14,158.57	0.00	14,158.57
Cash-flows of the Best estimate of Premium Provisions (Gross)				
Cash out-flows				
Future benefits and claims	R0370	59,144.10		59,144.10
Future expenses and other cash-out flows	R0380	60,163.24		60,163.24
Cash in-flows				
Future premiums	R0390	118,874.64		118,874.64

Own funds

S.23.01.01

		Total	Tier 1 - unrestricted
		C0010	C0020
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	5,000,000.00	5,000,000.00
Reconciliation reserve	R0130	-231,683.57	-231,683.57
Total basic own funds after deductions	R0290	4,768,316.43	4,768,316.43
Available and eligible own funds			
Total available own funds to meet the SCR	R0500	4,768,316.43	4,768,316.43
Total available own funds to meet the MCR	R0510	4,768,316.43	4,768,316.43
Total eligible own funds to meet the SCR	R0540	4,768,316.43	4,768,316.43
Total eligible own funds to meet the MCR	R0550	4,768,316.43	4,768,316.43
SCR	R0580	781,236.21	
MCR	R0600	3,700,000.00	
Ratio of Eligible own funds to SCR	R0620	6.103552765	
Ratio of Eligible own funds to MCR	R0640	1.288734170	

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	4,768,316.43
Other basic own fund items	R0730	5,000,000.00
Reconciliation reserve	R0760	-231,683.57
Expected profits		
Total Expected profits included in future premiums (EPIFP)	R0790	0.00

Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.01

(*) Closed list :
1 : Article 112(7) reporting
2 : Regular reporting

Article 112 (*)	Z0010	2

Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement
		C0030	C0040
Market risk	R0010	59.42	59.42
Counterparty default risk	R0020	733,160.09	733,160.09
Non-life underwriting risk	R0050	87,377.70	87,377.70
Diversification	R0060	-40,055.86	-40,055.86
Intangible asset risk	R0070		0.00
Basic Solvency Capital Requirement	R0100	780,541.35	780,541.35

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	694.86
Solvency Capital Requirement excluding capital add-on	R0200	781,236.21
Solvency capital requirement	R0220	781,236.21
Other information on SCR		
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	R0450	4

(*) Closed list of values :
1 (Full recalculation),
2 (Simplification at risk sub-module level)
3 (Simplification at risk module level)
4 (No adjustment)

PREMIUM Insurance Company Limited

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

S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	1,437.50

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Fire and other damage to property insurance and proportional reinsurance	R0080	13,984.83	1,639.00

Overall MCR calculation

		C0070
Linear MCR	R0300	1,437.50
SCR	R0310	781,236.21
MCR cap	R0320	351,556.29
MCR floor	R0330	195,309.05
Combined MCR	R0340	195,309.05
Absolute floor of the MCR	R0350	3,700,000.00
Minimum Capital Requirement	R0400	3,700,000.00