



# PREMIUM INSURANCE COMPANY

## SOLVENCY AND FINANCIAL CONDITION REPORT FOR THE PERIOD ENDING 31 DECEMBER 2023



PREMIUM Insurance Company Limited

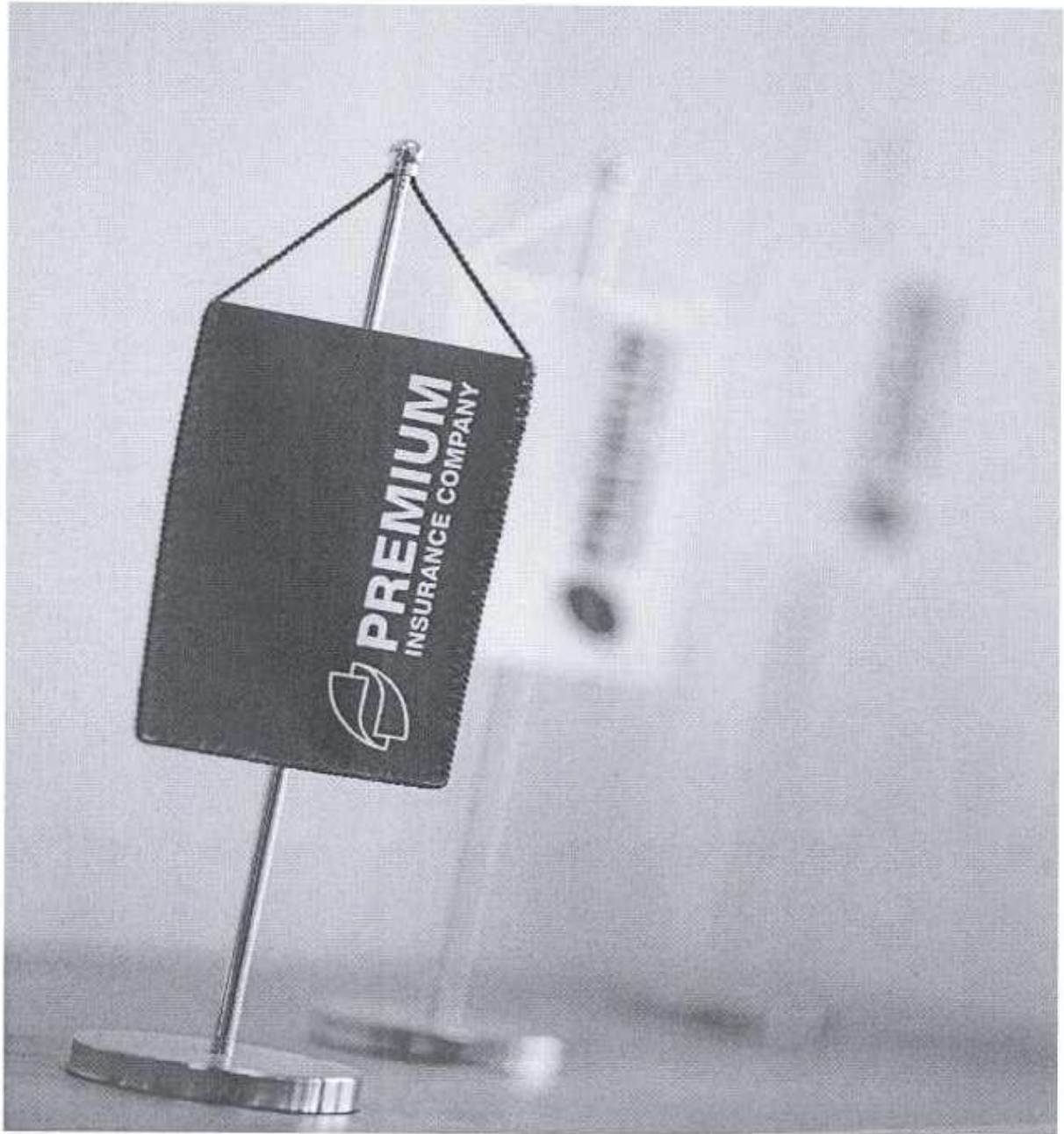
Level 3, CF Business Centre, Triq Gort, St Julian's STJ 3061, Malta | Registered with the Malta Business Registry  
Company Registration Number: C 91171 | Tel No. 00356 27436772

The Company is authorised and regulated by the Malta Financial Services Authority

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## Executive Summary

**PREMIUM Insurance Company Limited (“the Company” / “PREMIUM”)** is a self-managed insurance company in terms of Articles 218 to 258 of the Solvency II Directive 2009/138/EC. PREMIUM was established in Gibraltar in 2015 and licenced to conduct insurance activities in 2016 by the Gibraltar Financial Services Commission. Following the decision of the United Kingdom to withdraw from the EU, the Company was re-domiciled in Malta to maintain access to the European single market. In March 2019, PREMIUM received authorisation from the Malta Financial Services Authority (“the MFSA”) to carry on general business of insurance in accordance with the Insurance Business Act, Cap 403.

The Company underwrites property and liability risks. The Company writes risks on a 100% basis, on a co-insurance share basis or on reinsurance arrangement. The business is written mainly in Slovakia and increasingly in the Czech Republic under Freedom of Establishment.

In late 2022, the Company has exercised its European passporting rights to provide insurance services under the provisions of Freedom to Provide Services in terms of the European Passporting Rights Regulations in Germany, Austria, Hungary, Poland, and Croatia. The Company’s strategy is to capture risks in these territories with Slovak and Czech business interest.

In line with the overall strategy, the Company’s underwriting strategy is to write short to medium tail insurance business for the following types of products:

- Industrial & Corporate
- Small & Medium Enterprise (SME)
- Household Insurance (HHI)
- Residential Building Insurance (RBI)

During the reporting period, PREMIUM saw further significant growth in Insurance revenues by 36% in comparison with the previous year. Commercial and industrial property business continued to dominate the account, with commercial liability being the second most important class of business. The retail business gained a lot of traction in 2023 with over 100% increase over last year. Insurance revenues are expected to continue growing throughout the following 3- year period.

Financial highlights are as follows:

	<b>31-Dec-23</b>	<b>31-Dec-22</b>
Insurance revenue	28,401,099	20,750,666
Insurance service expenses	18,660,660	14,571,627
Insurance service result	9,740,439	6,179,039
Profit / (Loss) after tax	1,191,165	(940,524)
Total assets	27,414,406	19,881,624

### System of governance

The Company places emphasis on continuing to build the brand awareness and on growth of its business portfolio. The Board of Directors (the “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 and system of control. These controls and procedures are subject to regular review by the Board.

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 sets the standards of conduct of the Company, provides direction and oversight, and promotes a culture of integrity within the business.

The Board has also outsourced some of the roles and responsibilities of the Company to specialists and reputable service providers.

In 2023, PREMIUM enhanced its governance framework and substance by:

- Establishment of the IT & ICT Board Committee
- Appointment of Tools4F, Outsourced Actuarial Function
- Appointment of Mr Sean Agius, Managing Director, and person responsible for Distribution following the departure of Mr Marcin Klugowski, previously appointed as Managing & Finance Director. Mr Sean Agius was previously appointed the Risk and Compliance Officer of PREMIUM
- Appointment of Mr Jan Klima, Branch Manager of the Czech Republic Branch, which branch was launched in October 2023.
- Appointment of Mr Peter Valent, Finance Director following the departure of Mr Marcin Klugowski, previously appointed as Managing & Finance Director
- Appointment of Ms Elaine Calleja, Risk and Compliance Officer

### **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.

The Company has outlined various risk parameters that describe the level of risk PREMIUM is willing to take in pursuit of achieving the strategic objectives.

PREMIUM's aim is to ensure that the business is always managed in a risk-focused manner in order to achieve the Company's overall strategic objectives.

There were no major changes to the Company's risk profile during the reporting period and no major changes are expected throughout the next three-year planning period.

### **Valuation for solvency purposes and capital management**

The Standard Formula has been used by PREMIUM to calculate the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR"). For solvency purposes, all assets and liabilities are valued in line with the valuation method prescribed within Company policies and in line with the relevant Solvency regulations.

The Company has, since its inception, continuously complied with all aspects of the Solvency II regulations. As at 31 December 2023, the Solvency Capital Requirement ("SCR") coverage ratio of PREMIUM was 156% (2022: 168%), with eligible own funds of €8,432,965 (2022: €7,475,833) and a

SCR of €5,412,883 (2022: €4,452,915). The Company's Minimum Capital Requirement ("MCR") is €4,000,000 (2022: €4,000,000) with a MCR coverage ratio of 211% (2022: 187%).

The Company carries out regular reviews of its solvency ratios as part of the companies' risk monitoring and capital management system. It also realises an Own Risk and Solvency Assessment ("ORSA") on a forward-looking basis.

No significant estimates or judgements have been made in arriving at the valuation of the assets and liabilities for solvency purposes.

There have been no material changes in the valuation and recognition basis during the reporting period and PREMIUM does not employ any alternative valuation methods in valuing either its assets or liabilities.

#### **Statement of Directors' Responsibilities**

The Board of PREMIUM certify that the SFCR for the financial period ended 31 December 2023 has been properly prepared in all material respects in accordance with the requirements of the MFSA rules and Solvency II Regulations as applicable to the Company.

The Directors are satisfied that:

- a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the MFSA rules and Solvency II Regulations as applicable to the Company; and
- b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply with the requirements of the MFSA rules and Solvency II Regulations as applicable to the Company and will continue to comply in future.

This SFCR was approved by the Board on the 08 April 2024.



# A Business and Performance

## A1 Business Information

PREMIUM was redomiciled from Gibraltar to Malta in March 2019 following the UK decision to leave the European Union ('Brexit'). The Company is established in Malta and is licensed by MFSA where it operates under the European passport regime for insurance. The Information below reflects the information about the Company as at 31<sup>st</sup> December 2023.

### A1.1 Name and legal form of the Company

PREMIUM is a limited liability company registered in Malta, authorised to carry on general business of insurance (including Reinsurance) under the insurance business Act (Cap. 403). The Company registration number is C91171. The Company's registered office is:

PREMIUM Insurance Company Limited  
Level 3, CF Business Centre,  
Triq Gort,  
St Julian's STJ 3061, Malta

### A1.2 Supervisory Authority

The Company is authorised and regulated by the Malta Financial Services Authority ("MFSA"). The MFSA is located at:

Malta Financial Services Authority  
Triq l-Imdina, Zone 1  
Central Business District  
Birkirkara CBD 1010  
Malta

### A1.3 Statutory Auditor

The external auditors of the Company are Mazars. Contact details of the external auditors as follows:

Mazars  
The Watercourse, Level 2,  
Mdina road, Zone 2, Central business district,  
Birkirkara CBD 2010, Malta

### A1.4 Ownership and Structure

PREMIUM is a 100 per cent subsidiary of PREMIUM INVESTMENT GROUP, s.r.o. ("PIG") a Company registered in the Slovak Republic with registration number 47436140.

The address of the registered office of PIG is Šoltésovej 14,811.08 Bratislava, Slovak Republic.

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



#### **A1.5 Staff information**

At the end of the period, PREMIUM had 42 employees, 3 based in the Head Office in Malta, 37 employees based in the branch office in Bratislava and 2 employees based in the branch office in Prague. Total staff salaries and directors' emoluments for 2023 were €2,293,900 (2022: €1,594,110).

#### **A1.7 Material Lines of Business and Geographical Areas where the Company carries out business**

PREMIUM'S core strategy remains largely unchanged since its inception - to build a profitable Slovakian and Czech focussed insurer operating in the Commercial and Retail insurance market in Slovakia and the Czech Republic.

PREMIUM covers risks in the Slovak Republic on a Freedom of Establishment basis from Bratislava Branch. The Company established a branch in the Czech Republic with effect from October 2023, previously operating in Czech Republic on a Freedom of Services basis. During the period (re)insurance, contracts were concluded in Malta, Slovak Republic, and Czech Republic. In late 2022, the Company was also granted licence to write business in Germany, Austria, Hungary, Poland, and Croatia on Freedom of Services basis with the intent to support business Slovak and Czech risks with business interests in these territories. As at 31 December 2023, 17% of the total gross written premium was secured under FOS.

The Company is authorised by the MFSa to underwrite the following (re)insurance classes:

- Class 1 – Accident
- Class 2 – Sickness
- Class 3 – Land Vehicles



- Class 4 – Railway Rolling Stock
- 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

Whilst writing predominantly Industrial and Commercial Property and Liability business, other business lines have also been secured to contribute to the bottom line, or where writing them has enabled PREMIUM to access core business and target new markets. PREMIUM remains committed to broadening the Company's appeal to its Business-to-Business (B2B) key intermediary partners, through developing innovative products and market-leading delivery options

The Company continued to distribute its' products mostly through a network of licenced independent insurance brokers in Slovakia and Czech Republic.

#### ***A1.8 Significant Business or Other Events over the reporting period***

##### ***A1.8.1 Significant Business over the reporting period***

The Company established a branch in the Czech Republic with effect from October 2023, previously operating in Czech Republic on a Freedom of Services basis.

The Company has not registered any other significant event from the last reporting date.

##### ***A1.8.2 Other Events over the reporting period***

The Company, recognized as a Public Interest Entity under the Accountancy Profession Act, adheres strictly to International Financial Reporting Standards (IFRS) as adopted by the EU for financial reporting. This includes the implementation of IFRS 17 and IFRS 9, which significantly impact presentation and disclosures in insurers' financial statements. These changes aim to enhance transparency and provide stakeholders with a clearer understanding of the Company's financial position, performance, and risk profile. Detailed disclosures related to these standards can be found in the Company's 2023 annual report, ensuring comprehensive and transparent communication with stakeholders. All figures relating to 2022 are reported in line with figures disclosed in the 2022 Solvency and Financial Condition Report. Restatements in line with the new IFRSs may be found in the Company's 2023 annual report.

#### ***A1.9 Business Performance***

During the year under review the Company registered a profit before tax of €1,558,085 compared to a loss of €1,017,985 in 2022.

During the reporting period, PREMIUM saw further significant growth in Insurance revenues by 36% in comparison with the previous year. Commercial and industrial property business continued to dominate the account, with commercial liability being the second most important class of business. The retail business gained a lot of traction in 2023 with over 100% increase over last year. Insurance revenues are expected to continue growing throughout the following 3- year period.

Gross written premium during the period ending December 2023 amounted to €29,153,007 (2022: €21,933,597). Net of reinsurance, written premium amounted to €11,069,374 (2022: €8,928,862).

The net loss ratio during the period ending December 2023 amounted to 36% (2022: 36%).

The Company's solvency capital requirement at was €5,412,883 and Own Funds of €8,432,965 at December 2023, and a Minimum Capital Requirement coverage ratio of 211%.

## A2 Underwriting Performance

Throughout 2023, PREMIUM experienced continued steady growth within its targeted markets, surpassing its projected written Gross Premiums, which consequently led to a corresponding increase in Net Earned Premiums. However, the Company remained vigilant in safeguarding its capital against overly rapid expansion, maintaining a prudent approach to risk management. This cautious stance was evident in the structuring of the Company's reinsurance treaties and the utilization of facultative reinsurance for risks exceeding treaty capacity or falling outside the Company's risk tolerance.

	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>Motor vehicle liability</b>	<b>Fire and other damage to property</b>	<b>General liability</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Gross premiums written	-	22,254,781	6,898,226
Gross premiums earned	2,976	19,818,892	6,584,079
Reinsurer's share of gross earned premium	2,976	14,784,104	1,569,578
Gross claims incurred (including movement in provisions)	1,926	7,014,968	1,367,206
Net claims incurred	1,867	2,149,206	1,315,398
	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>Motor vehicle liability</b>	<b>Fire and other damage to property</b>	<b>General liability</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Gross premiums written	3,186	15,955,396	5,975,015
Gross premiums earned	3,933	13,699,324	5,543,404
Reinsurer's share of gross earned premium	4,727	10,419,500	1,115,977
Gross claims incurred	(49,443)	4,962,906	1,530,538
Net claims incurred	12,440	1,741,236	1,660,321

The Company covers risks predominantly in the Slovak Republic and Czech Republic which the majority (over 80%) are being secured in Slovakia.

### **A2.1 Loss Ratios**

Average loss ratios as at YE 2023 compared with loss ratios used for forecasts are set below:

<b>Business Line</b>	<b>2023(%)</b>	<b>Forecast (%)</b>
Property	28%	42%
Liability	39%	42%
MTPL	30%	42%

As the Company is still at a relatively early stage of its development, despite being in its 7th year of operations, it has not yet accumulated sufficiently large claims data to rely solely on internal historical data. Therefore, the plan was prepared using adjusted market loss ratios (combination of market and own data), ensuring a comprehensive and realistic approach to risk assessment and management.

Quarterly independent actuarial valuations of IBNR provisions coupled with diligent oversight by the Insurance (including Reinsurance) & Claims Committee, serve to provide reassurance to the Board.

In addition, an annual Actuarial Function Holder report is submitted to the Board, which serves as a comprehensive tool for reviewing and monitoring the Company's claims performance. This report places a strong emphasis on ensuring adequate reserves and assessing their impact on the Solvency Capital requirements. By providing detailed insights and analysis, this report empowers the Board to make informed decisions regarding risk management, capital allocation, and strategic planning, ultimately contributing to the Company's financial stability and enhances long-term sustainability.

During 2023, PREMIUM continued to mitigate its underwriting and reserve risk through a mixture of Quota Share, Surplus, and Excess of Loss reinsurance treaties, all placed with reinsurers with financial strength rating of A- or better as measured by Standard and Poor's or Moody's (or equivalent from other rating agencies).

### **A3 Investment Performance**

The Company holds a diversified investment portfolio, maintaining a conservative investment approach. The Company is investing in sovereign and corporate bonds with a rating of A- (Moody's) or better. In 2023, market movements were characterized by fluctuating economic indicators and geopolitical events, contributing to volatility across various asset classes. Despite these challenges, investment-grade government and corporate bonds remained resilient, benefiting from their stability and reliability. During the reporting year, the Company received €119,109 (2022: – €36,125) in interest and recorded a positive fair value movement of €107,682(2022: – €774,035).

The investments are summarised by measurement category in the table below:

	2023	2022
	€	€
Fair value through profit or loss	9,388,437	3,815,910
Accrued Interest	19,142	-

Analysed by type of investment as follows:

Government bonds	6,661,585	1,564,150
Accrued Interest	7,093	-
Corporate bonds	2,726,852	2,251,760
Accrued Interest	12,049	-

The movements for the year are summarised as follows:

	2023	2022
	€	€
<b>At 1 January</b>	3,815,910	4,589,945
Accrued Interest	12,681	-
Additions	5,464,854	-
Accrued Interest	6,452	-
Investment fair value movement	107,682	(774,035)
At 31 December	9,388,437	3,815,910
Accrued Interest	19,142	-
Maturity of financial investments:		
Under 5 years	7,191,005	1,771,745
Accrued Interest	9,574	-
Over 5 years	2,197,432	2,044,165
Accrued Interest	9,568	-

#### A4 Performance of Other Activities

PREMIUM received reinsurance commission payable as part of the re-insurance agreements in place. Total commission payable to the Company amounted to, (including any profit participation amounts) €6,396,028 (2022: €4,488,882).

At the financial position date, the company's undiscounted lease commitments amounted to EUR 1,598,982. The maturity of these liabilities were as follows:

	Year 1 EUR	Year 2 EUR	Year 3-5 EUR	After 5 Years EUR	TOTAL EUR
Lease commitments	382,408	329,552	879,036	7,986	1,598,982

Lease amounts recognised in statement of profit and loss were as follows:

	<b>2023</b>	<b>2022</b>
	<b>EUR</b>	<b>EUR</b>
Depreciation on right-of-use asset	326,592	183,556
Interest on lease liabilities	70,758	37,079

Lease payments effected during the year amounted to € 343,066 (2022: €201,194).

## **A5 Any Other Information**

### **A5.1 Covid19**

Throughout 2022 and 2023, the Company did not record any direct impact from the COVID-19 pandemic as operations in Slovakia and the Czech Republic returned to normalcy. Vigilance over health and safety protocols persisted, ensuring operational continuity amidst the transition to a post-pandemic environment.

### **A5.2 War in Ukraine**

The continued escalation of conflict and outright war in Ukraine prompted heightened vigilance due to the geographic proximity of PREMIUM's operational regions. While direct impact remained limited, ongoing monitoring of geopolitical developments remained essential to mitigate potential indirect repercussions on supply chains and regional stability.

### **A5.3 Inflation**

Throughout 2022, the Company proactively addressed escalating inflationary pressures by implementing measures to safeguard policyholders and maintain profitability. Notably, revisions to sums insured were initiated to reflect increased coverage requirements. These actions, undertaken during 2022, have proven sufficient, with no further significant revisions required in 2023. The timely measures taken continue to serve as a foundation for the Company's resilience, mitigating the financial impact of inflation while reinforcing its commitment to delivering comprehensive insurance solutions.

### **A5.4 Climate Change and ESG risks**

As climate change increasingly impacts all aspects of Environmental, Social, and Governance (ESG) considerations, effective risk management becomes paramount in our insurance operations. Our core strategy focuses on building a profitable Maltese insurer, primarily operating in Slovakia and the Czech Republic, with a commitment to ongoing and sustainable underwriting profits.

PREMIUM's operations primarily involve property and liability risks, exposing us to significant risks from natural disasters, climate change, and other catastrophic events. To address these challenges comprehensively, the Company integrates climate-related risks into strategic planning and risk management processes.

Through the regular Own Risk and Solvency Assessment (ORSA) process and stress testing initiatives, the Company rigorously assess scenarios encompassing catastrophic events to better understand and mitigate potential impacts.

In response to evolving regulatory expectations surrounding sustainable finance, PREMIUM has developed a dedicated board policy on Sustainability through ESG. This policy underscores our commitment to integrating climate and social risks into our corporate vision, mission statements, and governance framework.

Furthermore, the Company is committed to embed climate and ESG risks within the broader risk management framework, employing rigorous identification, evaluation, mitigation, monitoring, and reporting practices to effectively manage these risks across our operations.

Aligned with global initiatives such as the UN 2030 Agenda for Sustainable Development and the EU's Green Deal, PREMIUM proactively address climate-related challenges, ensuring that the risk management practices contribute to sustainability goals while delivering value to stakeholders

Looking ahead, the Company remains cautiously optimistic amidst evolving external challenges. Proactive risk management and sustainable strategic adaptation will continue to be prioritized to navigate uncertainties effectively.

## B Systems of Governance

### B1 General Information

#### B1.1 Structure of the Board and Committees

The Company places strong emphasis on continuously enhancing brand awareness and expanding its business portfolio. The 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 and system of control. These controls and procedures are subject to regular review by the Risk & Compliance Committee and the Board.

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 sets the standards of conduct of the Company, provides direction and oversight, and promotes a culture of integrity within the business. The Board has also outsourced some of the roles and responsibilities of the Company to specialists and reputable service providers.

The Board is also responsible for establishing and maintaining a corporate culture aligned with the Company's strategy, which enhances trust, integrity and ethics and preserves the Company's long-term value. The Board is committed to cultivate a robust compliance culture.

The Board is also committed to embrace Environmental, Social and Governance (ESG) standards and Corporate Social Responsibility (CSR) principles in the Company's strategy with a focus on sustainable finance activities and projects, and long-term value creation for all stakeholders.

Furthermore:

- Each member of the Board dedicates sufficient time carry out the role of director and associated responsibilities; and
- The Board ensures that a majority of its directors are reasonably available to the MFSA at short notice to explain its decisions.

As at the 31 December 2023, the Board of Directors was composed of 6 Directors as follows:

- |                   |   |
|-------------------|---|
| • Mojmir Vedej    | Chairman (Slovakia resident)                        |
| • Marek Benko     | Non-Executive Director (Slovakia resident)          |
| • Peter Valent    | Finance Director (Slovakia resident)                |
| • Sean Agius      | Managing Director (Malta resident)                  |
| • Karl Micallef   | Independent Non-Executive Director (Malta resident) |
| • Jessica Stivala | Independent Non-Executive Director (Malta resident) |

#### B1.2 Board Committees

Based on the nature and complexity of the Company, the Board has established the following Board Committees:

- Insurance (including Reinsurance) & Claims Committee

- Risk & Compliance Committee
- Information Technology (IT) & Information Communication Technology (ICT) (incl. Cyber & Disaster Recovery) Committee
- Audit Committee

#### ***B1.2.1 Insurance (including Reinsurance) & Claims Committee***

The Committee has responsibility for:

- overseeing and reviewing the ongoing performance of all product lines;
- overseeing and reviewing the ongoing performance of intermediaries/distributors;
- approving rate proposals;
- approving the company's reinsurance strategy;
- overseeing the implementation of the claims handling, reserving and settlement strategy;
- overseeing and controlling any outsourced claims handling; and
- setting of insurance risk strategy and appetite.

#### ***B1.2.2 Risk & Compliance Committee***

The Committee has responsibility for

- Overseeing and reviewing the completion of Quantitative Reporting Templates, ORSA and other Solvency II reporting requirements;
- Overseeing and reviewing the management and monitoring of the Risk Management Framework (including Risk Appetite) and processes;
- Overseeing and reviewing the management and monitoring of compliance and regulatory requirements.

#### ***B1.2.3 IT & ICT (incl. Cyber & Disaster Recovery) Committee***

The Board has established (in May 2023) the IT & ICT Committee to ensure robust oversight and governance of the company's IT infrastructure, including cyber security and disaster recovery plans. By delegating responsibilities for strategic planning, policy development, and compliance monitoring to this committee, the Board aims to enhance resilience, mitigate risks, and align technology initiatives with the company's overall objectives. The Committee has responsibility for:

- Oversight and review of IT & ICT Framework, including cyber security and disaster recovery plans;
- Authorizing, reviewing, and directing strategic and operational IT & ICT Framework plans; and
- Ensuring alignment of resources, recommending policies, monitoring security policies, and ensuring compliance with regulatory requirements.

#### ***B1.2.4 Audit Committee***

During 2023, the Board has retained responsibility for this committee, which is chaired by an Independent Non-Executive Director, responsible for the oversight of the Internal Audit function. The main responsibilities of the committee are:

- 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 (including the monitoring of implementation of IFRS17);



- Ensuring the internal audit programme has been communicated as required within the Company and externally as required to regulatory authorities and other interested parties;
- 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.

The Board committees meet quarterly and report their findings to the Board during the quarterly Board Meetings.

#### ***B1.2.5 Investment***

In view of the conservative low investment risk appetite, the Board established that there is no need to convene an Investment Committee in this instance. However, should there be a shift in the appetite for more aggressive and diversified investment options, the Board remains open to reconsidering its position.

Moreover, with a focus on enhancing diversification and seeking prudent returns, the Company is poised to appoint an experienced Asset Manager in 2024. This decision reflects the Company's dedication to optimizing its investment portfolio, seizing emerging opportunities, and upholding disciplined risk management practices. It's worth noting that no changes to the investment universe is anticipated at this time, maintaining continuity in the Company's investment strategy. The Board's decision underscores its commitment to bringing specialized expertise on board to ensure informed and strategic investment decisions.

#### ***B1.3 Key Functions***

PREMIUM has gone a step further from requirements of the Solvency II Directive and has established nine key functions:

- Actuarial
- Risk Management
- Compliance
- Internal Audit
- Investment
- Insurance (including Reinsurance) & Claims
- Finance
- Insurance Distribution
- IT & ICT (including Cyber & Disaster Recovery)

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. Each of the functions has full, unimpaired, access to Company information and officers for the timely and effective execution of their duties.

All functions within the organization are overseen by their respective function heads, ensuring they have the appropriate authority to carry out their roles effectively. Additionally, all key functions, as prescribed by the Solvency II Delegated Regulations, are overseen by members of the Board of Directors of PREMIUM, as disclosed in the following sections.

##### ***B1.3.1 Risk Management***

The responsibility and ownership of the risk management framework rests entirely with the Board and the Risk and Compliance Committee was established to oversee this function. The Risk Management

Function is managed by the in-house Risk & Compliance Officer of the Company. This function sets and manages the risk management framework in line with the Company's strategic direction, reviews and monitor the risk register and appetite of the Company, oversees the calculation of the SCR and continuance compliance therewith and oversee and manage the ORSA process to ensure that this forms an integral part of the decision-making process. Ms Jessica Stivala, independent, non-executive Director of Premium, is responsible for the oversight of this key function.

### ***B1.3.2 Compliance***

The responsibility and ownership of compliance rests entirely with the Board and the Risk and Compliance Committee was established to oversee this function. The Compliance Function is managed by the in-house Risk & Compliance Officer of the Company. This function manages and monitor the Compliance Monitoring Programme and ensures that the Company is continuously in line with the relevant rules and regulations. The Risk & Compliance Officer also guides the Board on forthcoming regulatory changes and coordinates compliance related training to the employees. Mr Marek Benko, non-executive Director of Premium, is responsible for the oversight of this key function.

### ***B1.3.3 Actuarial***

The Company's Actuarial Function (AF) was outsourced to a reputable actuarial consultancy firm, TooldF4 with effect from 1<sup>st</sup> February 2023. This function was previously managed in-house with the support of Tools4F & ComPass Advisory s.r.o, the latter responsible for the calculation of the technical provisions. The appointed service provider holds the appropriate skills, expertise and resources required for the operations of the Company. The AF is objective and free from the influence of other parties. The AF maintains appropriate procedures, processes, and systems sufficient to allow the Company to reasonably estimate its policyholder obligations, potential insurance and reinsurance exposures, and capital requirements consistent with applicable laws and recognized industry standards and in accordance with Article 48 of the Solvency II Directive and Article 272 of Delegated Regulation EU 2015/35. The duties of the Actuarial Function include:

- 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;
- Periodically report to the Insurance (including Reinsurance) & Claims Committee and the Board.
- Contributing 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 to the compilation of the Own Risk and Solvency Assessment;
- Communicate with the MFSA, and the Company's internal and external auditors as may be required;
- Present to the Board, a written Actuarial Function Report on an annual basis. The report documents all the tasks undertaken for the year and their results and includes the opinions on underwriting and the adequacy of reinsurance agreements, as well as all requirements stipulated under Article 48 of the Solvency II Directive; and
- Provide other assistance in the production of quarterly and annual regulatory returns for the Company.

Moreover, Com-PASS Advisory s.r.o. provides PREMIUM with a quarterly review of claims IBNR provisions; an annual, independent valuation of the year-end technical provisions; an annual review of the internal underwriting and financial procedures and assists in the annual Actuarial Function Holder report.

The Chief Financial Officer (“CFO”) is the individual within the Company who acts as the overall coordinator and main contact of the outsourced Actuarial Function (and Com-PASS Advisory s.r.o). Mr Mojmir Vedej, is the executive Board member responsible for the oversight of the outsourced Actuarial function.

#### ***B1.3.4 Internal Audit***

The activities of the Company’s Internal Audit Function (IAF) are outsourced to RSM Malta, which house the appropriate skills, expertise and resources required for the operations of the Company. The remit of the internal audit function is to objectively examine and evaluate the functioning, adequacy and effectiveness of the internal controls and all other elements of the Company’s System of Governance. The internal audit function is also an important part of the Risk Management system, providing an independent assessment of the adequacy of, and compliance with internal strategies, policies, processes, reporting procedures and the Company’s risk management framework.

To ensure its effectiveness as an independent function within the organisation and to enable it to carry out its duties in an objective and impartial manner, the Internal Audit Function:

- Is not subject to the instructions of the general management or the Board, except to the extent that the Board must approve all audit plans;
- Is able to exercise its assignments on its own initiative in all areas of the Company within the Company;
- Is free to communicate directly with all staff, including those of third-party service providers and to express its opinion;
- Has a complete and unrestricted right to obtain information, which includes the prompt provision of all necessary information, the availability of all essential documentation and the ability to see into all the Company’s activities and processes relevant for the discharge of its responsibilities, including those at third party service providers;
- Is granted access to any of the Company’s records, files or data including management information and Board and Committee meeting minutes whenever relevant for the performance of its tasks, including those at the third-party service providers;
- Works under an annual audit plan, based on a methodical risk analysis, which takes into account all activities and the complete System of Governance, as well as expected developments of activities and innovations. The plan ensures that all significant activities are reviewed within a reasonable period of time, in accordance with an established audit cycle. The Company expects that the internal audit to review all significant activities of PREMIUM over a three-year period; and
- The internal audit reports are complemented by an adequate follow-up procedure in order to keep track of the status of remedial measures.

The internal audit reports including recommendations and management actions (as applicable) are reviewed and overseen by the Audit Committee and presented to the Board for approval. Mr Karl Micallef, independent, non-executive director of Premium and chairperson of the Audit Committee, is the Board member with oversight responsible for this outsourced key function.

#### ***B1.4 Remuneration Policy and Practices***

Under the principle of proportionality, the Company does not have a dedicated remuneration committee and the duties otherwise pertaining to such a committee are vested with the Board of Directors. The Board of PREMIUM retains sole responsibility for the Remuneration Policy of the Company.

Requirements on remuneration for the purposes of the sound and prudent management of the business and in order to prevent remuneration arrangements which encourage excessive risk are captured in the Remuneration policy of the Company. In setting the remuneration policy, the Board recognizes the need to be competitive in an international market.

The remuneration policy applies to persons who run the Company, any staff of the Company or personnel of third-party service providers of the Company.

The remuneration of all personnel should be is designed to achieve the following objectives:

- ensure that the remuneration arrangements do not impair the duty of all personnel to act honestly, fairly and professionally;
- ensure that clients are treated fairly and that their interests are not prejudiced by the remuneration practices adopted in the short, medium or long term;
- ensure that personnel are fairly and responsibly rewarded in return for high levels of performance in the respective roles;
- create a strong, performance-oriented environment whilst attracting, motivating and retaining talent;
- ensure that no person is involved in deciding their own remuneration outcome;
- be consistent with the business strategy of the Company and risk-focused to promote sound and effective risk management;
- be aligned with the system of governance and incorporate measures that aim at avoiding conflicts of interest;
- should not encourage risk-taking behaviour that is inconsistent with the Company's risk management strategy and avoid excessive risk-taking;
- should observe any limitations imposed by collective bargaining arrangements, statutorily determined redundancy pay-outs and other applicable legislation; and
- be gender neutral.

By aligning its remuneration policy with effective risk management, it is less likely that the Company's personnel will have incentives to act in a manner that is inconsistent with the risk-appetite of the Company and contrary to the interests of its clients. The remuneration policy further requires the effective management of any conflicts of interest.

Employees receive remuneration (in fixed and variable form) commensurate with their skill, knowledge and experience, qualifications and role within the Company, in line with the Remuneration Policy. The Company does not provide supplementary pension or early retirement schemes.

Directors are not entitled to share options or shares or performance bonuses commensurate with the turnover or profitability of the Company.

### ***B1.5 Sustainable Finance Requirements***

The European Insurance and Pensions Authority (EIOPA) has identified the following seven key areas of activity on suitable finance for 2022 – 2024 to mitigate climate change and/or sustainability risks through investments, products and services:

- i) Integrate Environment, Social and Governance ("ESG") risks in the prudential framework of insurers and pension funds;
- ii) Consolidate the macro/micro prudential risk assessment of ESG risks;
- iii) Promote sustainability disclosures and a sustainable conduct of business framework;
- iv) Support supervision of ESG risks and supervisory convergence in the EU;

- v) Address protection gaps;
- vi) Promote the use of open source modelling and data in relation to climate change risks; and
- vii) Contribute to international convergence for the assessment and management of sustainability risks.

The integration of Environmental, Social, and Governance (ESG) risk into the prudential framework of insurance and reinsurance undertakings was mandated by the Commission Delegated Regulation (EU) 2021/1256, effective from August 2022. In response, the Company has undertaken a comprehensive review of its current governance framework and has proactively integrated ESG considerations.

As part of this initiative, the Company has established a dedicated ESG governance policy and appointed a Sustainability Officer, who serves as the Managing Director of PREMIUM. This ensures focused attention and expertise in addressing ESG matters across the organization.

The ESG policy encompasses various aspects, including the Underwriting and Reserving process, aimed at mitigating the risk of loss or adverse changes in the values of insurance and reinsurance liabilities. This involves comprehensive assessments of sustainability risks, both internal and external, to inform pricing and provisions accurately.

Furthermore, the Board has meticulously reviewed and approved an enhanced Investment Policy that incorporates sustainability risks pertaining to the investment portfolio. This underscores the Company's commitment to responsible investing and aligning its financial strategies with ESG principles.

Additionally, in accordance with the Company's ESG policy, ESG risks shall be systematically measured, monitored, and reported through the Company's risk register. This ensures transparency and accountability in managing ESG-related risks and opportunities.

#### ***B1.6 Material Changes in the System of Governance***

In 2023 PREMIUM restructured the Company to enhance its governance framework and substance. Key actions included the following:

- Establishment of the IT & ICT Board Committee
- Appointment of Tools4F, Outsourced Actuarial Function
- Appointment of Mr Sean Agius, Managing Director and person responsible for Distribution following the departure of Mr Marcin Klugowski, previously appointed as Managing & Finance Director. Mr Sean Agius was previously appointed the Risk and Compliance Officer of PREMIUM
- Appointment of Mr Jan Klima, Branch Manager of the Czech Republic Branch, which branch was launched in October 2023.
- Appointment of Mr Peter Valent, Finance Director following the departure of Mr Marcin Klugowski, previously appointed as Managing & Finance Director
- Appointment of Ms Elaine Calleja, Risk and Compliance Officer

#### ***B1.7 Material Transactions***

There were no material transactions during 2023.

## **B2 Fit and proper requirements**

### ***B2.1 Requirements for Skills, Knowledge and Expertise***

PREMIUM requires that members of the Board 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 and knowledge for managing the business.

The fitness requirements set out collectively to the Board, and senior management employees cover at least the following areas.

- Knowledge of insurance (including reinsurance) and financial markets.
- Understanding of the business strategy and the business model.
- Understanding of the systems of governance.
- Knowledge of financial matters, actuarial analysis, and management information.
- Understanding of the regulatory framework and requirements.

### ***B2.2 Policies and Processes regarding "Fit Requirements"***

The Board considers the skills, knowledge and experience required prior to any new executive/management appointment and assess whether the individual meets the requirements. On an ongoing basis, all individuals carrying out significant function/s are required to ensure that their skills and knowledge are kept up-to-date and this to be confirmed annually. The fitness of key individuals is monitored and reported on by the Compliance Function.

### ***B2.3 Policies and Processes regarding "Proper Requirements"***

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

In order to assess whether this requirement is met, the following factors will be considered.

- The individual's character.
- The individual's personal behaviour.
- The individual's business conduct.
- Any criminal aspects.
- Any financial aspects.
- Any regulatory aspects.

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 reports to the Board at least annually.

## **B3 Risk Management Framework**

### ***B3.1 Risk Management System***

#### ***B3.1.1 Company Risk Management***

PREMIUM's Risk Management framework described below, drives the Company's risk management culture and processes. The Company maintains a Risk Register and Risk Appetite matrix and solvency requirements are considered as part of the Company's ORSA process. PREMIUM carries out the solvency calculations and prepares the ORSA report with the support of the outsourced actuarial service providers.

### ***B3.1.2 Overview***

PREMIUM categorises its risks as follows:

- Strategic Risk
- Insurance Risk
- Reinsurance Risk
- Market Risk
- Liquidity Risk
- Credit Risk
- Concentration Risk
- Operational Risk
- Reputational Risk
- Asset-Liability Management 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 the management of risks.

The systems of governance are 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 goals are 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 quarterly 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 Risk & Compliance Function Holder. In addition, at each Board meeting, consideration is given to whether the Company's risk profile or risk exposures have changed or altered due to changes to the Company's micro and macro environment.

Risk events are reported to the Board when they occur and are recorded in the Risk Event Log (which forms part of the Risk Register), including their impact and resolution. Where further investigation is required, the Board will delegate responsibility and agree timescales as appropriate.

In addition, the Board receives reports from the Internal Audit function as to the adequacy, effectiveness and efficiency of the internal controls. The findings of such reports are considered by the Board in the assessment aspects of the risks and if appropriate, fed directly into the Company's ORSA process.

### **B3.1.5 Implementation of Risk Management Function**

Responsibility for and ownership of the risk management rests with the Board, working together with Risk & Compliance Officer and senior members of staff.

### **B3.1.6 Significant Risks Faced by The Company**

The table below represents the five highest risks as set out in the Risk Register as at 31<sup>st</sup> December 2023.

<b>Risk Description</b>	<b>Risk Category</b>	<b>Controls/Mitigation</b>	<b>Residual Risk Rating</b>
Increase in Geopolitical risks due to the conflict in Ukraine resulting in high inflation and/or recession.	Strategic	Close monitoring of market developments, business performance and risk considerations.	15
Loss of investment income and weakening of the Prudential Person Principles.	Market	Close monitoring of investments portfolio movements and market trends and projections.	15
Collapse of Bank.	Credit	Funds are deposited in well-established and well rated banking establishments. Close monitoring of bank financial performance.	15
Higher than projected claims in frequency and costs.	Reserving	Close monitoring of movements of claims including frequent reporting and quarterly review by the Insurance (including Re-insurance) & Claims Committee.	12
Change in reinsurance Credit Rating and related counter party risks.	Reinsurance	Close monitoring of credit rating of selected re-insurers by the Company and the re-insurance broker.	12

None of the above risks is assessed as "high" on the Company's risk matrix.



Impact	Probability					
	1	2	3	4	5	6
1	1	2	3	4	5	6
2	2	4	6	8	10	12
3	3	6	9	12	15	18
4	4	8	12	16	20	24
5	5	10	15	20	25	30
6	6	12	18	24	30	36

The Risk Register is managed and updated by the Risk & Compliance Officer and reviewed quarterly by the Risk and Compliance Committee and the Board.

### **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"). This policy is reviewed annually and is designed 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 provides 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. The Risk & Compliance Officer and the executive management team, with the support of the relevant outsourced providers, carry out the ORSA.

PREMIUM conducts at least an annual ORSA after which a formal report is prepared. 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 considered in any strategic decisions.

The ORSA is prepared by the executive management team, including Directors and the draft report is provided to the full Board for discussion, challenge and approval.

#### **B3.2.2 ORSA Performance Documentation and Review**

The ORSA is an iterative process which relies on key elements of the business.

The ORSA is conducted as follows:

- Production of annual Business Plan or revision/forecast of existing Business Plan;
- Forecast or reforecast of business for the three subsequent years;
- Calculation from historical data for relevant patterns/assumptions and use of market data for validation purposes;
- Calculation of the SCR based on the Business Plan and assumptions;
- Discussion by the Board of the Business Plan, assumptions, and other details underlying the SCR calculation;
- Revision of the Business Plan, assumptions and/or SCR calculation where required following such discussion;

- Consideration of specific risks, PREMIUM's specific risk profile, limits and tolerances as to their impact on the Business Plan, assumptions and/or SCR calculation;
- Stress and scenario testing of the Business Plan, assumptions and/or SCR calculations;
- Final discussion and sign-off by the Board.

The ORSA documentation comprises the following:

- Risk Register;
- Business Plan assumptions and projections;
- SCR model;
- Minutes of Board discussion;
- Final ORSA report.

### ***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 considered 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. To achieve this, appropriate controls have been put in place to reduce risks where possible. Risk management and adherence to the internal controls are an integral part of the business culture.

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

The Risk Management Policy of the PREMIUM encompasses internal control policy of the Company and is aimed at ensuring effective risk mitigation and operational efficiency. This policy mandates the following:

- Establishment of processes and procedures for the identification and assessment of risks;
- Implementation of appropriate measures to control identified risks;
- Provision of training and awareness programs to ensure individuals understand their roles in maintaining internal controls; and
- Adoption of robust monitoring and review processes to ensure the ongoing effectiveness of internal controls.

## **B4.2 Key Internal Control Procedures**

Internal controls at PREMIUM are designed to:

- Enable PREMIUM to carry out its business in an efficient and effective manner;
- Ensure adherence to strategy and policies as set out by the Board;
- Safeguard the company's assets;
- Ensure the accuracy and reliability of data;
- Ensure the accuracy and reliability of financial information;
- Ensure the accuracy and reliability of management information used in decision-making.

Internal controls to mitigate risks are set out in the Company's Risk Register. Such controls function to reduce the level of inherent risk to a level of residual risk consistent with the Board's risk appetite for that area. The Register is reviewed by the Board on a quarterly basis and this includes ongoing consideration of the appropriateness of the controls.

Controls included in the framework are both proactive and reactive and can be characterised as:

- **Preventative** (To prevent undesirable events from occurring).
- **Directive** (To ensure a desired outcome).
- **Detective** (To detect and correct undesirable events that have occurred).

Moreover, the Internal Audit function reviews both high level and operational controls as part of its role.

Individuals involved in the management of the business have a duty to act ethically and with integrity. This requires them to operate within the agreed internal control framework, to avoid conflicts of interest, and to comply with all relevant company policies. Individuals also have a duty to monitor relevant controls on an ongoing basis and to inform the Board, Risk & Compliance Function, and the Internal Audit Function of observed or known weaknesses or failures within the internal control system.

## **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 for all applicable EU requirements. The Compliance Function also reports to the Board on any relevant changes in the legal environment in which the Company operates.

The Risk & Compliance Officer is responsible for the management of this function. 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 and Risk & Compliance Committee on a quarterly basis on tasks carried out during the quarter. The Board does not otherwise seek to instruct or influence the Compliance Function.

### **B4.3.2 Independence and Authority of Compliance Function**

The in-house compliance 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 has full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

### ***B4.3.3 Compliance Activities During the Period***

During the period, the Compliance Function provided required assistance to the Company in the following key areas.

- Communication with MFSA.
- Reviewing company governance framework to ensure full adherence to MFSA “Conduct of Business” rules.
- Preparation & update of the Compliance Monitoring Programme.
- Maintenance of Conflicts of Interest Register.
- Monitoring of Data Protection Register.
- Maintenance of Breach Logs.
- Guidance on regulatory or legislative changes.

## ***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 mandated to evaluate management’s approach to risk management and governance, with particular emphasis on systems of internal control. It investigates how the Company’s processes and controls operate 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 including:

- Governance and business planning;
- Underwriting and policy administration;
- Claims handling and reserving;
- Investment & Liquidity;
- Finance/Accounting;
- IT & Systems.

PREMIUM’s Internal Audit Function is overseen by an Independent Non-Executive Director with the actual function outsourced to a professional services provider, RSM Malta.

### ***B5.2 Independence and Objectivity of the Internal Audit Function***

Where an internal audit has been requested, the auditor(s) 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 have a duty to make all requested information available promptly and to assist with any enquiries.

The Board approves 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 any internal audits. However, the Board does not otherwise seek to instruct or influence the internal audit team.

The internal audit plan will selectively cover areas including:

- Suitability of the internal control system and its efficiency;
- Failures/shortcomings of any internal control and potential improvements;
- Compliance with internal strategies and policies;
- Compliance with internal procedures and processes;
- Actions taken to remedy past inadequacies;
- Reported deficiencies, failings and irregularities;
- Material functions/activities carried out by outsourced service providers;
- Performance of outsourced providers.

## **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 regarding insurance risk, including:

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

The Actuarial Function is currently in-house however the Board has approved to outsource this function to a specialised provider from 1<sup>st</sup> February 2023 and the Company is designating a Director who is highly experienced insurance industry professional to oversee this function. These appointments are currently subject to approval by MFSA.

Specific duties of the Actuarial Function include:

- 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.

PREMIUM has also appointed external outsourced actuarial service providers who are entirely independent from operational aspects of the business to support the Actuarial Function Holder in performance of its duties and responsibilities.

They provide quarterly reporting including the IBNR reserves and assist in the annual report on the activities of the Actuarial Function.

These reports assist the Board in its decision-making process and identify any areas where improvements are required. They also highlight any material uncertainty about data accuracy and explain the mitigating actions taken to correct such uncertainty.

### ***B6.2 Activities Undertaken During the Year***

During the period, PREMIUM's Actuarial Function was also involved in the review of the Company's claims reserving policy and provisions.

### **B6.3 Contribution to Risk Management**

PREMIUM's Actuarial Function provides the Board with a separate view of key operational aspects of the business, specifically around data, the robustness of the capital calculation, and the Underwriting and Reinsurance policies. The use of an external actuarial services both to fulfil the Actuarial Function holder roles (Tool4F) and for reserving purposes (ComPass), provides the required degree of independence.

## **B7 Outsourcing**

### **B7.1 Outsourcing Policy**

PREMIUM operates a model whereby various services required are outsourced to reputable and professional third-party service providers. While this creates additional risk, it enables the Company to operate in the most efficient and 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 policyholders with an experience at least as good – or better – than an in-house alternative;
- Enable PREMIUM to deliver a service experience to insureds 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.

PREMIUM's Outsourcing Policy, which is reviewed annually, sets out the following.

- The definition of outsourcing;
- Responsibility for implementation and operation of the Policy and consequent controls and processes;
- The criteria for outsourcing;
- Due diligence procedures for potential providers;
- Establishment of appropriate contractual arrangements which clearly define responsibilities and allow adequate supervision and control;
- Establishment of appropriate contingency planning, including terminating or exiting the arrangement;
- Periodic audit requirements;
- The approval process;
- Risk assessment and risk mitigation measures;
- Monitoring and ongoing requirements.

## B7.2 Outsourced Functions and Activities

The following table sets out the functions outsourced by PREMIUM.

Significant Function	Jurisdiction
Company Secretarial Services	Malta
Actuarial Function Holder	Czech Republic
Actuarial Consultant	Czech Republic
Internal Audit	Malta

## B7.3 Information on Outsourced Providers

Outsourced Provider	Outsourced Function or Activity	Authorisation, Capacity, Key Persons
Com-PASS Advisory s.r.o.	Provision of quarterly reports on the IBNR reserves, an annual report on the adequacy of claims reserving provisions as well as support in the preparation of the annual report on the activities of the Actuarial function.	A consultancy firm based in Czech Republic specialising in providing its clients (which includes mainly insurance companies) support with professional actuarial services  Team comprises persons with the necessary range of skills, knowledge and experience to provide the services.
Tools4F s.r.o.	Actuarial Function Holder which duties extend to the provision of calculation of Own Funds SCR & MCR, creation of quarterly and annual QRTs, Input into the risk management system and ORSA process and reporting.	A consultancy firm based in Czech Republic specialising in providing its clients (which includes mainly insurance companies) professional actuarial services.  Team comprises persons with the necessary range of skills, knowledge and experience to provide the services.
RSM Malta	Internal Audit	RSM is an established and reputable service provider specialising in Finance and Audit.
Ganado Services Limited	Company Secretary	Ganado Services Ltd is a reputable and experienced provider of company secretarial functions and support.

## **B8 Any Other Information**

### ***B8.1 Adequacy of Systems of Governance***

PREMIUM's Directors are 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 to ensure that:

- the established criteria and processes are still appropriate to the nature, scale and complexity of the business;
- these are still operating as planned;
- the key functions are appropriately meeting their responsibilities.

The Risk & Compliance Officer monitors the effectiveness of the systems of governance on ongoing basis and put forward any proposed changes during the Risk & Compliance Committee Meeting for onward transmission to the Board for discussion and approval.

A further independent review is carried out by the Internal Audit function with respect to the established areas for review as per the Internal Audit Plan. 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 concerns for an in-depth review were felt appropriate.



## 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 considered when making key business decisions.

PREMIUM's business focusses primarily on carefully selected elements of Industrial and Commercial property and liability insurance, with further diversification achieved through an increasing portfolio of retail business.

PREMIUM's risk profile at 31 December 2023 is set out in the table below:

Risk Category	% of SCR at 31 December 2023
Market Risk	6%
Counterparty Risk	20%
Underwriting Risk	62%
Operational Risk	13%

### 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 and 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;
- Targeted undesirable market segments, 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; and
- 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 around the timing, frequency and severity of claims under these contracts.

## **C1.3 Risk Mitigations**

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

The primary risk transfer mechanisms used are the Excess of Loss reinsurance, Quota Share reinsurance and CAT 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;
- Regular review and audit of claims and underwriting files;
- Annual independent actuarial review of claims provisions;
- Quarterly actuarial reviews of IBNR claims provisions;
- 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 or underwriting referrals.

## **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 assess those factors or combination of factors which may cause the Company to fail. Stress and scenario tests will include:

- Material changes in premium and claims volumes;
- Macro adverse risk considerations like geopolitical and economic risks;
- Volatility in future loss ratios;
- Combination of changes in premium and claims volumes together with increase in operational costs;
- CAT Risks like climate change calamities.

## **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. It includes risks associated with movements in interest rates, foreign exchanges exposure and valuation processes. None of these sources of risk are independent of others and therefore giving due consideration to these correlations is an important aspect of the prudent management of market risk. The Company considers market risk to consist mainly of the risk of

fluctuations in the value of or income from its assets due to external factors in the marketplace. The objectives are to:

- Follow a prudent approach to selection and acquiring of assets;
- Maximise consistent returns in line with the risk appetite guidelines set.

The Company only invests in assets whose risks it can properly identify, measure, monitor, control and report in accordance with the Prudent Person Principle and which meet its specific risk profile and approved risk tolerance limits.

All assets are invested in a manner as to ensure the security, quality, liquidity and reasonable return on the investment. The market risk seeks to achieve a balanced matching profile in line with the set parameters in the Investment Policy.

During the reporting period, PREMIUM did not purchase any new bonds and held on to the cash to contain the impact of the negative volatility and uncertainty of the financial markets. This hold-and-wait position was also a strategic decision due to the macro-economic factors. However, PREMIUM is already looking into new investments positions and further diversification as the bond market started gaining positive traction at the end of 2022.

### ***C2.2 Material Risk Concentrations***

The strategy of the Company is to acquire assets which are properly diversified in such a way as to avoid excessive reliance and accumulation of risk on any particular asset, issuer or group of undertakings and/or geographical area. The current investment parameters established by the Board are reflective of the low-risk investment strategy.

### ***C2.3 Risk Mitigations***

In line with prudence management, the Company exercise control through monthly management accounting, quarterly SCR calculation and ongoing monitoring.

### ***C2.4 Stress and Sensitivity Testing***

Stress and scenario testing is performed to establish the Company's exposure under critical considerations in line with the ORSA policy.

## **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 insurance intermediaries, reinsurers, co-insurers and cash and 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***

During the reporting period, the Company funds were mostly kept in cash deposits with the Company's bankers. PREMIUM transacts business with registered insurance intermediaries under market-wide Terms of Business Agreements.

### **C3.3 Risk Mitigations**

The Company's funds are securely deposited with renowned and highly reputable top-rated banks, ensuring the safety and reliability of our financial assets. Moreover, the Company maintains full control over the underwriting process, and all policies initiated during the period were sold exclusively by approved and licensed brokers (with the exception of a small number of policies which were sold directly by PREMIUM branches. Reinsurance arrangements were carefully selected and placed with partners who possess strong credit ratings and a demonstrated history of reliability.

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

- Distribution through multiple insurance intermediaries);
- Use of an experienced reinsurance broker;
- Ensuring reinsurance counterparties are appropriately rated (A- or better);
- Monitoring reinsurance recoveries;
- Ensuring diversification of counterparties and limiting single counterparty exposures; and
- 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.

Moreover, and in recognizing the growing importance of environmental, social, and governance (ESG) factors, the Company is increasingly integrating ESG considerations into its risk management framework. By incorporating ESG criteria into investment decisions and underwriting practices, the Company aims to mitigate these risks while contributing to sustainable development goals.

## **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. Moreover, the Board approved investment policy specifies investments are limited to exchanges traded securities only.

The Company regularly monitors forecast and actual cash flows to control its cash flow and working capital requirements.

PREMIUM is exposed to future liability cash flows incurred as a result of insurance operations. These cash flows obligations are largely made up of claim payments due to policyholders and business acquisition commissions to brokers. The Company is further exposed to liquidity risk arising from

insurance placed with co-insurers and re-insurers. Liquidity management ensures the Company has sufficient access to funds to cover insurance claims, 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 cash at all times. Liquidity risk is mitigated through 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 Company calculates Expected Profit included in Future Premiums (EPIFP) by projecting the expected cash-flows resulting from premium receivables in relation to contracts bound but not yet incepted contracts. The amount of expected profit in future premium as at December 2023 is €1,351,664.

### **C5 Operational Risk**

#### **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 statutory 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/service provider/third party;
- Malicious & Cyber acts - hacking/viruses/industrial espionage;

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.

Key controls include:

- Four-eyes principle for MI production and analysis;
- Detailed analysis and review of monthly MI;
- Four-eyes principle for financial information;
- Four-eyes principle for payments;
- Oversight, monitoring and audits of the claims service provider;
- Data integrity and other IT controls;
- Disaster Recovery and Business Continuity Plan.

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 material changes in risk mitigations over the business planning period.

## **C5.4 Stress and Sensitivity Testing**

As part of its annual ORSA, PREMIUM specifically considers the likely impact if certain operational risk events occur including:

- 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.

## **C6 Any other information**

Notwithstanding that seven years have passed since inception of operations, PREMIUM remains in the relative early stages of company development, and 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 and/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 management team and the Company's structure of the business will help to reduce the likelihood of these risks materialising.

The assumptions and projections underlying both the financial forecast and the solvency calculation are formally reviewed at each quarterly Board meeting.

The standard dependencies as set out by EIOPA, between the risks covered by the risk modules and sub-modules of the Standard Formula have been used in the Tools4F's Standard Formula Calculator, which is the tool used by PREMIUM to calculate the MCR and the SCR.

Based on the assessment of Standard Formula appropriateness and taking into account the principle of proportionality, the Board does not believe that there is a need to develop a Partial or Full Internal Model at this stage of development 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 Company, recognized as a Public Interest Entity under the Accountancy Profession Act, adheres strictly to International Financial Reporting Standards (IFRS) as adopted by the EU for financial reporting. This includes the implementation of IFRS 17 (and IFRS 9), which significantly impacts presentation and disclosures in insurers' financial statements. These changes aim to enhance transparency and provide stakeholders with a clearer understanding of the Company's financial position, performance, and risk profile. Detailed disclosures related to these standards can be found in the Company's 2023 annual report, ensuring comprehensive and transparent communication with stakeholders. The statutory accounts values indicated have been prepared in line with these standards. Unless otherwise stated, all figures reported for year 2022 are in line with those reported last year under IFRS4. All transition and impacts from restatement for 2022 are detailed in the Company's 2023 annual report.

The material classes of assets as at 31 December 2023, are as set out in the table below:

	Solvency II value	Statutory accounts value
	€	€
Intangible assets	-	1,021,684
Property, plant & equipment held for own use	161,780	1,559,496
Financial investments	9,388,437	9,407,579
Cash and cash equivalents	9,517,655	9,517,655
Reinsurance recoverables	5,680,719	5,540,503
Receivables (trade, not insurance)	82,038	62,909
Deferred Tax Asset	-	225,759
Any other assets, not elsewhere shown	108,703	78,821

No significant estimates or judgements have been made in arriving at the valuation of the assets.

#### D1.1 Intangible Assets

At 31 December 2023, PREMIUM held intangible assets valued at €1,021,684 (2022: €876,781), representing software acquisition and website development costs. For IFRS 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 intangible assets is not recognised under Solvency II.

#### D1.2 Property, plant & equipment held for own use (tangible and right-of-use assets)

At 31 December 2023, PREMIUM held tangible assets valued at €1,559,496 (2022: €758,661), representing equipment acquisition costs less accumulated depreciation, right-of-use assets reported as part of tangible assets were valued at €1,419,642 (2022: €698,765). For IFRS purposes, this asset has been valued on an amortised cost basis, and no significant estimate or judgement has been made.

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Valuation of branch office fixtures and fitting for Solvency II purposes is based on external independent valuation while all other equipment has been valued at nil.

### **D1.3 Financial investments**

At the period end, PREMIUM held €9,388,437 (2022: €3,815,910) in sovereign and corporate bonds. All investments are held in Euro.

Financial investments are valued at fair value, based on quoted prices in active markets (Level 1).

The difference in valuation of these assets between the reported IFRS and Solvency II value relates to the accrued interest.

### **D1.4 Cash and Cash Equivalents**

At the period end, PREMIUM held €9,517,655 (2022: €8,990,657) either in term deposits, or in cash and cash equivalents with banking counterparties. Majority of funds are held in Euro (€) in 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 IFRS and Solvency II.

### **D1.7 Receivables (not insurance)**

The transition IFRS 17 incorporates principles from IFRS 9, which guide the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets like trade receivables are classified based on business models and contractual cash flow characteristics. For PREMIUM, the transition in (2022) restatements reduce the value under IFRS 9.

As at 31 December 2023 the amount due to PREMIUM was €62,909 (2022 IFRS 4: €133,777; 2022 IFRS 17: €53,426).

### **D1.8 Any Other Assets**

Other assets for PREMIUM represent prepayments and accrued income. Under IFRS 17, prepayments and accrued income related to insurance contracts are recognized within the contract liability or asset for the remaining coverage (LRC / ARC).

At 31 December 2023 other assets amounted to €97,963 (2022: €33,785).

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.

### **D1.9 Deferred Tax**

As at 31 December 2023, the Deferred Tax Asset under IFRS reporting amounted to €225,759 (2022: €225,759).

Under Solvency II, deferred tax assets are not recognized in the balance sheet when Own Funds increase because SII regulations require insurers to assess their tax positions on a net basis. This means that any DTAs are offset against any deferred tax liabilities (DTLs) to determine the net tax position.

## 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:

	Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance
	€	€	€
Gross	-	3,360,096	20,315
Total recoverable from reinsurance	-	(219,875)	3,336
<b>Net Best Estimate of Premium Provisions</b>	-	3,579,971	16,978
Claims provisions			
Gross	801	7,656,177	2,418,444
Total recoverable from reinsurance	457	5,573,888	322,913
<b>Net Best Estimate of Claims Provisions</b>	344	2,082,289	2,095,531
Total Best estimate - gross	801	11,016,273	2,438,759
Total Best estimate - net	344	5,662,261	2,112,509
Risk margin	35	581,997	217,135
Technical provisions - total	836	11,598,270	2,655,894
Recoverable from reinsurance contract	457	5,354,012	326,250
Technical provisions minus recoverables	380	6,244,258	2,329,644

### 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. The best estimate loss ratios are derived by the independent actuarial service provider.

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 applies 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 expenses as a percentage of account of increasing 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").

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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 2023, management reached the conclusion that no provision for ENIDs was required.

#### ***D2.1.5 Discounting***

Cash flows are and discounting using the relevant risk-free discount rates as published 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 overall in-force reinsurance arrangements.

Under IFRS 17, reinsurance recoverable are evaluated based on expected cash flows, considering associated risks. This contrasts with the contractual approach of IFRS 4, and which has led to a significant restatement in (2022) IFRS valuation.

In the context of Solvency II, 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 other than those already disclosed under D2.1.6.

#### ***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.

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- 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 minimize the level of uncertainty through a robust monitoring process with support of external actuarial advice as well as the internal support of the Legal Department and Risk Management Function. 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 IFRS Valuation**

From 1 January 2023 the Company has implemented IFRS 17. As a result, the table below for the first time shows movement from IFRS 17 reserves to Solvency II technical provisions at 31.12.2023.

	Gross Technical Reserves	Reinsurance Recoverables	Total
	€	€	€
IFRS Reserves	17,736,473	5,540,503	12,195,970
Remove Unearned Premium net of future cancellations	(10,331,024)	(5,856,079)	(4,474,945)
Bound but not Incepted	(2,375,884)	(1,024,220)	(1,351,664)
Claims on Unexpired Risks	3,860,427	2,054,782	1,805,644
Receivables/Payables	3,510,035	5,223,402	(1,713,367)
Run-off Expenses and Other Adjustments	1,515,913	(2,605)	1,518,519
Effect of Discounting	(460,107)	(255,063)	(205,044)
Risk Margin	799,168	-	799,168
Solvency II Technical Provisions	14,255,000	5,680,719	8,574,282

- There are significant overlaps in the measurement of IFRS 17 and Solvency II provisions, but also some differences. Key differences between the valuation bases are:
- IFRS 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;
- IFRS reserves do not include run-off expenses;
- IFRS reserves do not make allowance for bound but not incepted business;
- IFRS reserves are calculated with risk adjustment and Solvency II reserves with risk margin; risk adjustment includes only underwriting risks.

### **D2.4 Matching Adjustment to the EIOPA risk-free interest rates**

PREMIUM does not apply the matching adjustment.

### **D2.5 Volatility Adjustment to the EIOPA risk-free interest rates**

PREMIUM does not apply the volatility adjustment.

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#### **D2.6 Transitional risk-free interest rate-term structure**

PREMIUM does not apply the transitional risk-free interest rate-term.

#### **D2.7 Transitional deduction**

PREMIUM does not apply the transitional deduction

#### **D2.8 Significant Changes over the Period**

There have been no significant changes to the methodology of deriving the assumptions for calculation of technical provision.

### **D3 Other Liabilities**

The following basis, 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 2023 except for gross technical provisions, are as set out in the table below:

	<b>Solvency II value</b>	<b>Statutory accounts value</b>
	<b>€</b>	<b>€</b>
Payables (trade and taxes, not insurance)	789,197	3,348,343
Any other liabilities, not elsewhere shown	1,462,170	360,972

No significant estimates or judgements have been made in arriving at the valuation of the assets.

During the period, there have been adjustments to the valuation and recognition basis, primarily related to the implementation of IFRS 17 as at 31 December 2023. These adjustments were not considered material and did not have a significant impact on the financial statements.

### **D4 Any Other Information**

There are no other material matters with regard to the Company's technical provisions which has not been disclosed.

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## 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 controls and processes to ensure that the Company has the appropriate levels and quality of capital to meet both the SCR and the MCR. Additionally, as part of the annual ORSA processes, the Company performs financial projections of own funds under central and adverse scenarios to assess the capital required over the three-year business planning period, thereby assessing the need for actions for future funding. The intention is for capital requirements to be met in both the immediate and medium-term future.

While PREMIUM's ORSA process is formally carried out 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.

The Company's Actuarial Function (AF) was outsourced to a reputable actuarial consultancy firm, TooldF4 with effect from 1st February 2023. This function was previously managed in-house with the support of Tools4F & ComPass Advisory s.r.o, the latter responsible for the calculation of the technical provisions. The AF function is further responsible for the SII Balance Sheet and calculation of eligible own funds. The appointed service provider holds the appropriate skills, expertise and resources required for the operations of the Company. The AF is objective and free from the influence of other parties.

##### 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 sets out PREMIUM's own funds at 31 December 2023, together with movements during the period:

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	Ordinary Share capital	Capital contribution	Profit and loss account	Total
	€	€	€	€
At 1 January 2023	7,500,000	3,400,000	(6,059,203)	4,840,797
Capital Contribution	-	-	-	-
Impact of discounting and risk adjustment			(47,708)	(47,708)
Other reserves			(15,637)	(15,637)
Total Comprehensive Income for the period			1,191,165	1,191,165
At 31 December 2023	7,500,000	3,400,000	(4,931,383)	5,968,617

### 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.

### E1.2.3 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	5,968,617
Difference in Valuation of net Technical Provisions	3,621,688
Removal of Deferred reinsurance commission	-
Removal of Deferred Commissions	-
Removal of intangible assets	(1,021,684)
Difference in Valuation of fixed assets	(1,397,716)
Removal of reinsurance receivables and payables	-
Insurance & Intermediaries receivables and payables	-
Payables (trade, not insurance)	2,589,015
Net Deferred Tax Liabilities	(1,326,956)
Own Funds per Solvency II Valuation	8,432,965

## 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 Solvency II Valuation	€ 8,432,965
Solvency Capital Requirement	€ 5,412,883
SCR Coverage	156%
Minimum Capital Requirement	€4,000,000
MCR Coverage	211%

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

As at 31 December 2023, the Solvency Capital Requirement ("SCR") coverage ratio of PREMIUM was 156% (2022: 168%), with eligible own funds of €8,432,965 (2022: €7,475,833) and SCR of €5,412,883 (2022: €4,452,915). The Company's Minimum Capital Requirement ("MCR") is €4,000,000 (2022: €4,000,000) with a MCR coverage ratio of 211% (2022: 187%). The table below provides a breakdown of the SCR by risk modules:

Capital Components	€
Interest rate	158,552
Spread	134,844
Concentration	247,621
Currency	241,022
Property	40,445
Sub total	822,484
Less Diversification	364,171
<b>SCR Market risk</b>	<b>458,313</b>
SCR Counterparty Type 1	1,555,855
SCR Counterparty Type 2	12,306
Less Diversification	3,055
<b>SCR Counterparty</b>	<b>1,565,106</b>
SCR Non-Life Prem/Res Risk	3,531,965
SCR Non-Life Cat Risk	2,495,631
Sub total	6,027,596
Less Diversification	1,220,290
<b>SCR Non-life risk</b>	<b>4,807,306</b>
<b>Total</b>	<b>6,830,724</b>
Less Diversification	935,470
<b>BSCR</b>	<b>5,895,254</b>
<b>SCR Operational</b>	<b>979,799</b>
<b>Less Net DT Adjustment</b>	<b>1,462,170</b>
<b>SCR</b>	<b>6,875,052</b>
<b>MCR</b>	<b>4,000,000</b>

As already shown in Section C, Underwriting risk is the main risk exposure of the Company. Non-life Underwriting Risk at valuation date is calculated at €4,807,306 making up 82% of the diversified BSCR (2022: 79%), the largest sub-module of the SCR calculation. This non-life underwriting risk capital charge is driven by the premium and reserve risk sub module, followed by the catastrophe risk sub-module.

## E2.3 Simplifications

The Company does not use an internal model or undertakes-specific parameters to calculate the SCR. Also, no simplifications have been used to calculate the Company SCR under the standard formula.

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#### **E2.4 Inputs used to Calculate the MCR**

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

	<b>Net (of reinsurance) best estimate technical provisions</b>	<b>Net (of reinsurance) written premiums in the last 12 months</b>
	€	€
Motor	344	-
Fire and Other Damage to Property	5,662,261	6,310,222
General Liability	2,112,509	5,748,490
		€
Linear MCR		1,976,189
SCR		5,412,883
Combined MCR		1,976,189
Absolute Floor of the MCR		4,000,000
Minimum Capital Requirement		4,000,000


#### **E.2.5 Changes over the Period**

There have been no changes to assumptions during the reporting period.

#### **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.

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## F Disclosure of Regulatory Templates

In line with Article 4 and Annex 1 of the corresponding EIOPA guidelines, the following templates forming part of the Annual Quantitative Reporting Templates are being disclosed under Appendix A of this report:

- Template S.02.01.02 specifying Solvency II balance sheet information
- Template S.04.05.21.01 specifying the non-life insurance and reinsurance obligations Template S.17.01.02 specifying information on non-life technical provisions
- Templates S.19.01.21 specifying information on non-life insurance claims in the format of development triangles
- Templates S.23.01.01 specifying information on own funds
- Template S.25.01.21 specifying information on the SCR calculating using the standard formula
- Template S.28.01.01 specifying the MCR for the Company



## G Conclusion

As illustrated in this report, PREMIUM is an ambitious, risk cultured, forward looking and adequately capitalised insurance undertaking that has the capital and operational capacity to continue securing the current business mix together with securing new business opportunities.

The Company has the potential to exceed new business projections for the upcoming year notwithstanding, whilst ensuring continuous compliance with the Solvency II, licence and other regulatory requirements.

PREMIUM will be disclosing this report on the Company's website and is committed to send an electronic copy of this report to any person or entity who requests a copy of this report in line with the regulations.

Furthermore, the Board confirms that there is no other material information that has not been disclosed in this report.

Dated this 08 April 2024

# H Appendices

Appendix A

Quantitative Reporting Templates

# PREMIUM Insurance Company Limited

## Appendix A: Quantitative Reporting Templates

### S.02.01.02 Balance sheet

		Solvency II value C0010
<b>Assets</b>		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	161,780
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	9,388,437
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds:	R0130	9,388,437
Government Bonds	R0140	6,661,585
Corporate Bonds	R0150	2,726,852
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	5,680,719
Non-life and health similar to non-life	R0280	5,680,719
Non-life excluding health	R0290	5,680,719
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and Intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	82,038
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	9,517,655
Any other assets, not elsewhere shown	R0420	108,703
<b>Total assets</b>	<b>R0500</b>	<b>24,939,331</b>


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# PREMIUM Insurance Company Limited

## S.02.01.02 Balance sheet (continued)

		Solvency II value C0010
<b>Liabilities</b>		
Technical provisions - non-life	R0510	14,255,000
Technical provisions - non-life (excluding health)	R0520	14,255,000
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	13,455,832
Risk margin	R0550	799,168
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	-
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	1,462,170
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	-
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	789,197
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	-
<b>Total liabilities</b>	<b>R0900</b>	<b>16,506,366</b>
<b>Excess of assets over liabilities</b>	<b>R1000</b>	<b>8,432,965</b>

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## PREMIUM Insurance Company Limited

		Home country: Non-life insurance and reinsurance obligations				Total Top 5 and home country - non-life obligations
		SK C0020	CZ C0030	Other countries C0040	C0070	
Premiums written (gross)	Gross Written Premium (direct)	24,444,267	3,572,439	1,136,300	29,153,007	
	Gross Written Premium (proportional reinsurance)					
	Gross Written Premium (non-proportional reinsurance)					
Premiums earned (gross)	Gross Earned Premium (direct)	22,039,522	3,422,311	944,114	26,405,947	
	Gross Earned Premium (proportional reinsurance)					
	Gross Earned Premium (non-proportional reinsurance)					
Claims incurred (gross)	Claims incurred (direct)	7,842,824	285,571	255,705	8,384,101	
	Claims incurred (proportional reinsurance)					
	Claims incurred (non-proportional reinsurance)					
Expenses incurred (gross)	Gross Expenses Incurred (direct)	7,054,965	993,672	232,841	8,281,478	
	Gross Expenses Incurred (proportional reinsurance)					
	Gross Expenses Incurred (non-proportional reinsurance)					

# PREMIUM Insurance Company Limited

## 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
	Motor vehicle liability insurance C0040	Fire and other damage to property insurance C0070	General liability insurance C0080		
<b>Premiums written</b>					
Gross - Direct Business	R0110				C0200
Gross - Proportional reinsurance accepted	R0120	22,254,781	6,898,226		29,153,007
Gross - Non-proportional reinsurance accepted	R0130				-
Reinsurers' share	R0140	16,491,631	1,592,002		18,083,633
Net	R0200	5,763,150	5,306,224		11,069,374
<b>Premiums earned</b>					
Gross - Direct Business	R0210	19,818,892	6,584,079		26,405,947
Gross - Proportional reinsurance accepted	R0220				-
Gross - Non-proportional reinsurance accepted	R0230				-
Reinsurers' share	R0240	2,976	14,784,104	1,569,578	16,356,658
Net	R0300	-	5,034,788	5,014,501	10,049,289
<b>Claims incurred</b>					
Gross - Direct Business	R0310	1,926	7,014,968	1,367,206	8,384,101
Gross - Proportional reinsurance accepted	R0320				-
Gross - Non-proportional reinsurance accepted	R0330				-
Reinsurers' share	R0340	59	4,865,762	15,808	4,881,630
Net	R0400	1,867	2,149,206	1,351,398	3,502,471
<b>Changes in other technical provisions</b>					
Gross - Direct Business	R0410				-
Gross - Proportional reinsurance accepted	R0420				-
Gross - Non-proportional reinsurance accepted	R0430				-
Reinsurers' share	R0440				-
Net	R0500				-
<b>Expenses incurred</b>	R0550	160	6,364,455	1,916,863	8,281,478
<b>Other expenses</b>	R1200				(2,971,017)
<b>Total expenses</b>	R1300				5,310,461



# PREMIUM Insurance Company Limited

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S.17.01.02

## Non-Life Technical Provisions

Technical provisions calculated as a whole		R0010	C0050	C0080	C0090	C0180
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole			-	-	-	-
		R0050	-	-	-	-
Premium provisions	Gross	R0060	-	3,360,096	20,315	3,380,411
	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	(219,875)	3,336	(216,539)
	Net Best Estimate of Premium Provisions	R0150	-	3,579,971	16,978	3,596,950
Claims provisions	Gross	R0160	801	7,656,177	2,418,444	10,075,421
	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	457	5,573,888	322,913	5,897,257
	Net Best Estimate of Claims Provisions	R0250	344	2,082,289	2,095,531	4,178,164
Total Best estimate - gross		R0260	801	11,016,273	2,438,759	13,455,832
Total Best estimate - net		R0270	344	5,662,261	2,112,509	7,775,114
Risk margin		R0280	35	581,997	217,135	799,168
Technical provisions - total	Technical provisions - total	R0320	836	11,598,270	2,655,894	14,255,000
	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	457	5,354,012	326,250	5,680,719
	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	380	6,244,258	2,329,644	8,574,282

# PREMIUM Insurance Company Limited

S.19.01.21

Non-life insurance claims

**Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business**

		0	1	2	3	4	5	6
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Prior	R0100							
N-9	R0160							
N-8	R0170							
N-7	R0180		0	0	0	0	0	
N-6	R0190	0	83,567	7,877	11,168	0	0	0
N-5	R0200	209,286	63,795	117,647	108,429	33,725	0	
N-4	R0210	479,000	582,815	184,302	49,847	19,115		
N-3	R0220	816,131	1,334,628	586,909	152,263			
N-2	R0230	1,310,698	3,217,251	971,423				
N-1	R0240	2,144,300	2,105,210					
N	R0250	2,991,306						

**Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business**

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100		
N-9	R0160		
N-8	R0170		
N-7	R0180		-
N-6	R0190		102,612
N-5	R0200	-	532,882
N-4	R0210	19,115	1,315,081
N-3	R0220	152,263	2,889,931
N-2	R0230	971,423	5,499,372
N-1	R0240	2,105,210	4,249,510
N	R0250	2,991,306	2,991,306
Total	R0260	6,239,318	17,580,693

# PREMIUM Insurance Company Limited

S.19.01.21

Non-life insurance claims (continued)

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount).  
Total Non-Life Business

		0	1	2	3	4	5	6
		C0200	C0210	C0220	C0230	C0240	C0250	C0260
Prior	R0100							
N-9	R0160							
N-8	R0170							
N-7	R0180							
N-6	R0190							
N-5	R0200						1	
N-4	R0210					55,277		
N-3	R0220				366,083			
N-2	R0230			1,060,427				
N-1	R0240		2,390,665					
N	R0250	6,663,076						

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Year end (discounted data)
		C0360
Prior	R0100	
N-9	R0160	
N-8	R0170	
N-7	R0180	
N-6	R0190	
N-5	R0200	1
N-4	R0210	52,679
N-3	R0220	350,103
N-2	R0230	1,014,380
N-1	R0240	2,285,961
N	R0250	6,372,298
Total	R0260	10,075,421

# PREMIUM Insurance Company Limited

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted
		C0010	C0020
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>			
Ordinary share capital (gross of own shares)	R0010	<del>7,500,000</del>	<del>7,500,000</del>
Reconciliation reserve	R0130	<del>(2,467,035)</del>	<del>(2,467,035)</del>
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	3,400,000	3,400,000
<b>Total basic own funds after deductions</b>	<b>R0290</b>	<b>8,432,965</b>	<b>8,432,965</b>
<b>Available and eligible own funds</b>			
Total available own funds to meet the SCR	R0500	<del>8,432,965</del>	<del>8,432,965</del>
Total available own funds to meet the MCR	R0510	<del>8,432,965</del>	<del>8,432,965</del>
Total eligible own funds to meet the SCR	R0540	8,432,965	8,432,965
Total eligible own funds to meet the MCR	R0550	8,432,965	8,432,965
<b>SCR</b>	<b>R0580</b>	<b>5,412,883</b>	
<b>MCR</b>	<b>R0600</b>	<b>4,000,000</b>	
<b>Ratio of Eligible own funds to SCR</b>	<b>R0620</b>	<b>156%</b>	
<b>Ratio of Eligible own funds to MCR</b>	<b>R0640</b>	<b>211%</b>	

		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	<del>8,432,964.67</del>
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	10,900,000.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
<b>Reconciliation reserve</b>	<b>R0760</b>	<b>(2,467,035.33)</b>
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	1,351,663.73
<b>Total Expected profits included in future premiums (EPIFP)</b>	<b>R0790</b>	<b>1,351,663.73</b>

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# PREMIUM Insurance Company Limited

S.25.01.21

Solvency Capital Requirement - for undertakings  
on Standard Formula

## Mazars Malta

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		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	458,313	
Counterparty default risk	R0020	1,565,106	
Life underwriting risk	R0030	-	<del>                    </del>
Health underwriting risk	R0040	-	<del>                    </del>
Non-life underwriting risk	R0050	4,807,306	
Diversification	R0060	935,470	
Intangible asset risk	R0070	-	<del>                    </del>
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	<b>5,895,254</b>	<del>                    </del>

### Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	979,799
Net Loss-absorbing capacity of deferred taxes	R0150	-1,462,170
<b>Solvency Capital Requirement excluding capital add-on</b>		<b>5,412,883</b>
	R0200	
Solvency capital requirement	R0220	5,412,883

### Approach to tax rate

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

### Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Net LAC DT	R0640	(1,462,170)
Net LAC DT justified by reversion of deferred tax liabilities	R0650	(1,462,170)
Maximum LAC DT	R0690	(2,406,268)

# PREMIUM Insurance Company Limited

S.28.01.01

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

		MCR components
		C0010
MCR <sub>NL</sub> Result	R0010	1,976,189

		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
Motor vehicle liability insurance and proportional reinsurance	R0050	344	-
Fire and other damage to property insurance and proportional reinsurance	R0080	5,662,261	6,310,222
General liability insurance and proportional reinsurance	R0090	2,112,509	5,748,490

		C0070
Linear MCR	R0300	1,976,189
SCR	R0310	5,412,883
MCR cap	R0320	2,435,797
MCR floor	R0330	1,353,221
Combined MCR	R0340	1,976,189
Absolute floor of the MCR	R0350	4,000,000
<b>Minimum Capital Requirement</b>	R0400	4,000,000

  
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**Report of the approved auditor of PREMIUM Insurance Company Limited ("the Undertaking") pursuant to paragraph 8.10.2 and Annex V of Chapter 8 of the Insurance Rules issued under the Act: Report on the Audit of the relevant information and relevant templates of the Solvency and Financial Condition Report ("SFCR")**

We have audited the following quantitative reporting templates prepared by the Undertaking:

- S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 as at 31 December 2023

(the "relevant templates of the SFCR")

The relevant templates of the SFCR have been prepared by the Undertaking in accordance with the Insurance Business Act (Cap. 403), regulations and Insurance Rules issued thereunder, the Commission Delegated Regulation and the European Commission Implementing Regulation (EU) 2015/2452, (hereafter referred to as "the relevant legislation").

**Respective responsibilities of Directors and Auditors**

The Board of Directors shall be responsible for the preparation of the SFCR in accordance with the financial reporting provisions contained in the relevant legislation referred to above. In terms of section 8.9 of Chapter 8 of the Insurance Rules, the Board of Directors are responsible for having in place appropriate systems and structures to meet the Undertaking's public disclosure requirements in relation to the SFCR and for the approval of the SFCR.

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

The Board of Directors shall be satisfied that, throughout the financial year in question, the Undertaking has complied in all material respects with the requirements of the relevant legislation as applicable to the Undertaking. The Board of Directors shall be required to sign a Declaration Form, in accordance with paragraph 8.6.2 of Chapter 8 of the Insurance Rules and Annex IV to the said Chapter, for submission with the SFCR to the competent authority.

Our responsibility as approved auditors is to audit and express an opinion on the information that an authorised undertaking shall disclose pursuant to Article 296 and 297 of the Commission Delegated Regulation (hereafter referred to as the "relevant information") and on the relevant templates of the SFCR, in terms of paragraphs 8.10.2 of Chapter 8 of the Insurance Rules and Annex V to the said Chapter, confirming that the said information and templates, which are subject to the audit, have been prepared in all material respects in accordance with the relevant legislation. Such audit is to be made in accordance with the paragraph 8.10.2 and Annex V of Chapter 8 of the Insurance Rules and with International Standards on Auditing.

**Report of the approved auditor of Premium Insurance Company Limited ("the Undertaking") pursuant to paragraph 8.10.2 and Annex V of Chapter 8 of the Insurance Rules issued under the Act: Report on the Audit of the relevant information and relevant templates of the Solvency and Financial Condition Report ("SFCR") (continued)**

**Scope of the SFCR Audit**

An audit involves obtaining evidence about the amounts and disclosures in the relevant information and relevant templates of the SFCR, sufficient to give reasonable assurance that the relevant information and templates are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Undertaking's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the relevant information and templates of the SFCR.

If we become aware of any apparent material misstatements or inconsistencies in the information, we consider the implications for our report.

**Opinion**

In our opinion, the information in the relevant information and the relevant templates of the Solvency and Financial Condition Report of the Undertaking for the year ended 31 December 2023 is properly prepared, in all material respects, in accordance with the relevant legislation.



*Anthony Attard (Partner) for and on behalf of*

**Mazars Malta**

**Certified Public Accountants**

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8<sup>th</sup> April 2024