



**PREMIUM
INSURANCE COMPANY**

**SOLVENCY AND FINANCIAL CONDITION REPORT
FOR THE PERIOD ENDING 31 DECEMBER 2021**

PREMIUM Insurance Company Limited

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PREMIUM Insurance Company Limited

Executive Summary

PREMIUM Insurance Company Limited (“The Company”) 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 in order to maintain access to the European single market. In March 2019, PREMIUM received authorisation from the MFSA.

The Company underwrites Industrial and Commercial property, Home Insurance and Liability business, together with a small element of other classes, including Motor Vehicle Liability insurance. The company is a non-life self-managed insurer authorised by the Malta Financial Services Authority (MFSA) to carry on business of insurance, and re-insurance.

The business is written mainly in Slovakia, with a small percentage written in the Czech Republic. The Company covers risks in Slovakia on a Freedom of Establishment (via a Branch in Bratislava) and Freedom of Services basis and in the Czech Republic on a Freedom of Services basis. The Company accepts risks either on a 100% basis or on a co-insurance arrangement either as a lead or a follower.

During the reporting period, PREMIUM saw further significant growth in both gross written premiums, which increased by 19% in comparison with the previous year, and net written premiums, which increased by 105% 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 Company enters into risk contracts either on a 100% placement or on a co-insurance arrangement either as a lead or a follower. Gross and Net premiums are expected to continue growing throughout the following 3- year period.

Financial highlights are as follows:-

	31-Dec-21	31-Dec-20
	€ 000	€ 000
Gross written premium	15,540	13,008
Net written premium	5,839	2,843
Claims incurred net of reinsurance	1,681	1,630
Net operating expenditure	1,780	1,319
Retained losses	4,973	4,446

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 (“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 and revision when necessary.

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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.

Risk and Compliance function holder have resigned with effect from 31/12/2021. The Company has put in place a temporary arrangements in order to ensure continuity and ongoing compliance.

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 profile during the reporting period and no major changes are expected throughout the next 3 year planning period.

Valuation for solvency purposes and capital management

The Standard Formula has been used in Tools4F's model, which is the tool used by PREMIUM to calculate the Minimum Capital Requirement ("MCR") and the Solvency Capital Requirement ("SCR").

For solvency purposes all assets and liabilities are valued in line with the valuation method prescribed within the relevant Solvency regulations.

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 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

This Solvency and Financial Condition Report (SFCR) is being presented in line with the requirements of Directive 2009/138/EC (Solvency II Directive) and the Commission Delegated Regulation (EU) 2015/35.

The Board of Directors hereby confirms that during the year under review, the Company has compiled with all material respects with the requirements of the MFSA rules and Solvency II Regulations (as applicable).

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A Business and Performance

A1 Business Information

PREMIUM Insurance Company Limited (the “Company”) was redomiciled from Gibraltar to Malta in March 2020 following the UK decision to leave the European Union (‘Brexit’). The company is established in Malta and is licensed by the Malta Financial Services Authority where it operates under the European passport regime for insurance. The Information below reflects the information about the Company as at 31st December 2021.

A1.1 Company Details

PREMIUM Insurance Company Limited
68, George Borg Olivier Street,
St Julian’s STJ1081
Malta.

PREMIUM Insurance Company Limited (“PREMIUM”) is incorporated in Malta and is a Company limited by shares. The company registration number is C91171.

This Solvency and Financial Condition Report covers PREMIUM on a solo basis.

A1.2 Supervisory Authority

Malta Financial Services Authority
Triq I-Imdina, Zone 1
Central Business District
Birkirkara CBD1010
Malta

A1.3 Statutory Auditor

Mazars
The Watercourse, Level 2, Zaghfran Road,
Mdina road, Zone 2, Central business district,
Birkirkara CBD2010,
Malta

A1.4 Ultimate Shareholders

PREMIUM is a 100 per cent subsidiary of PREMIUM INVESTMENT GROUP, s.r.o. (“PIG”) a Company registered in the Slovak Republic.

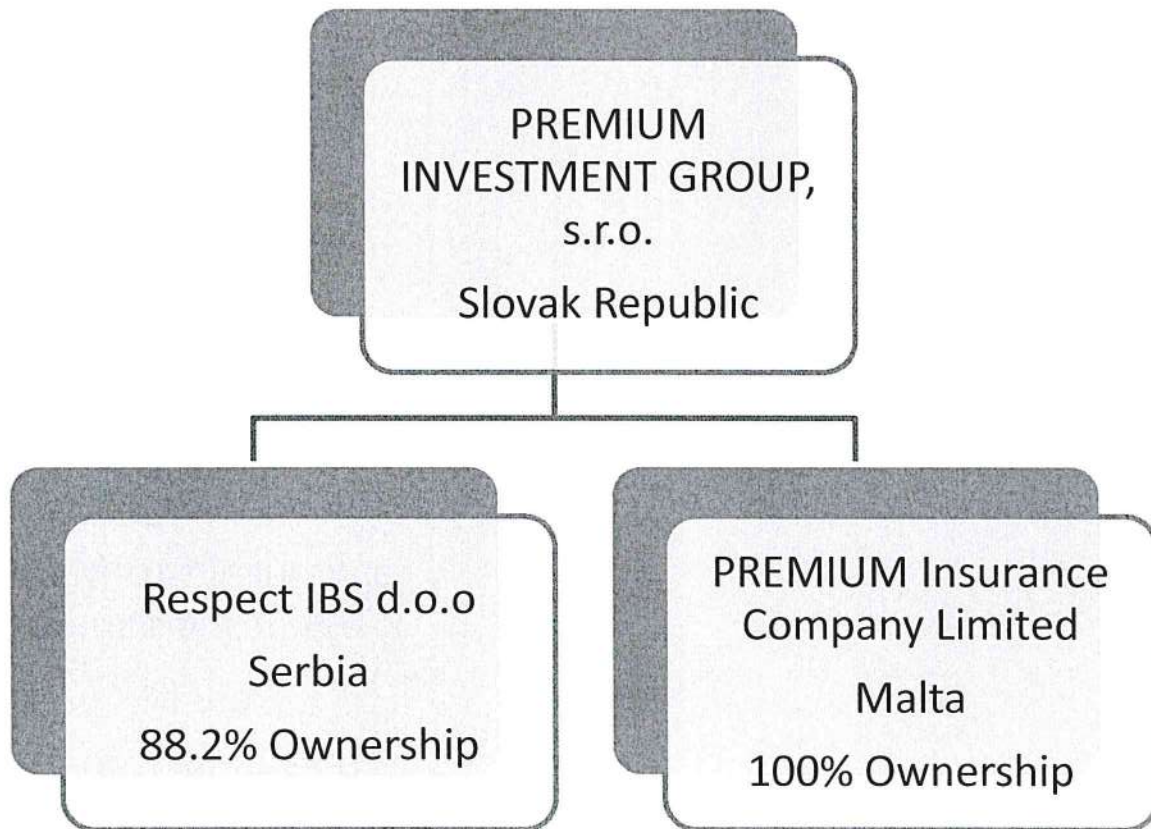
The address of the registered office of PIG is Šoltésovej 14,811.08 Bratislava, Slovak Republic.

Registered number 47436140

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

PREMIUM Insurance Company Limited

A1.5 Group Structure



With effect from 28 January 2022 PREMIUM INVESTMENT GROUP is no longer a shareholder of Respect IBS d.o.o.

Serbia

A1.6 Staff information

At the end of the period, PREMIUM had 20 employees, 3 based in the Head Office in Malta, and 16 employees based in the branch office in Bratislava. Total staff salaries and directors emoluments for 2021 were €1,246,884 (2020 - €944,214).

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A1.7 Material Lines of Business and Geographical Areas

PREMIUM covers risks in the Slovak Republic on a Freedom of Establishment basis and from Malta on a Freedom of Services basis. During the period (re)insurance, contracts were concluded in both Malta and the Slovak Republic.

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

Gross written premium during the period ending December 2021 amounted to €15,540,418, (2020 - €13,008,028). Net of reinsurance, written premium amounted to €5,839,460 (2020 - €2,842,706).

Gross loss ratio during the period ending December 2021 amounted to 40% (2020 – 51%). Net of reinsurance, the loss ratio amounted to 35% (2020 – 70%).

A1.8 Significant Business or Other Events

A1.8.1 Company Incorporation and Insurance Licence

PREMIUM was incorporated on 18 November 2015 and started trading on 1 December 2016 in Gibraltar. The company subsequently re-domiciled to Malta and was authorised by the MFSa on 26 March 2020.

Whilst the jurisdiction of the company has been changed, all other aspects of its business vision and operations remain unchanged.

A1.9 Objectives

PREMIUM'S core strategy remains unchanged: to build a profitable Slovakian-focussed insurer primarily operating in the Commercial insurance market in Slovakia and the Czech Republic.

Whilst writing predominantly Industrial and Commercial Property and Commercial Liability business, other business lines have also been accepted if they contribute profit to the bottom line, or where writing them has enabled PREMIUM to access core business. 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 will continue to operate through a branch in Slovakia with distribution via a network of brokers, and outsourced claims and administration contracts, and to replicate this business platform in Czech Republic through a branch office in the near future.

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A2 Underwriting Performance

During 2021, PREMIUM saw further growth in its chosen markets and wrote Gross Premiums in line with the projections. Net Premiums were marginally below anticipated levels as the company continues to protect its capital against too rapid expansion and maintained its cautious approach to risk taking. This was reflected in the design of the company's re-insurance treaties and the use of facultative re-insurance on risks that exceeded the treaty capacity or were outside the company's risk appetite.

	2021	2021	2021
	Motor vehicle liability	Fire and other damage to property	General liability
	€	€	€
Gross premiums written	<u>300,816</u>	<u>10,554,610</u>	<u>4,684,992</u>
Gross premiums earned	<u>301,916</u>	<u>10,431,444</u>	<u>4,321,024</u>
Reinsurance premium earned	<u>12,913</u>	<u>8,681,884</u>	<u>1,572,277</u>
Gross claims incurred	<u>21,210</u>	<u>4,741,012</u>	<u>901,337</u>
Net claims incurred	<u>9,264</u>	<u>893,707</u>	<u>599,221</u>
	2020	2020	2020
	Motor vehicle liability	Fire and other damage to property	General liability
	€	€	€
Gross premiums written	<u>298,495</u>	<u>9,230,208</u>	<u>3,479,326</u>
Gross premiums earned	<u>300,258</u>	<u>8,639,262</u>	<u>3,152,897</u>
Reinsurance premium earned	<u>156,056</u>	<u>7,668,914</u>	<u>2,340,351</u>
Gross claims incurred	<u>10,621</u>	<u>5,451,176</u>	<u>763,303</u>
Net claims incurred	<u>15,391</u>	<u>1,272,782</u>	<u>342,008</u>

Due to the careful risk selection, and the excellent historic claims pattern of the insured entities, claims experience was in line with the forecast and better than the market average loss ratios.

The Company covers risks in the Slovak Republic and Czech Republic which the majority (over 90%) are being secured in Slovakia.

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A2.1 Loss Ratios

Loss ratios as at YE 2021 compared with loss ratios used for forecasts are set below:

Business Line	2021 (%)	Forecast (%)
Property	51	35
Liability	22	35
MTPL	3	35

As the Company remains at an early stage of its development and does not yet have sufficiently large claims data to allow for full internal modelling to be carried out, the plan has been prepared using adjusted market loss ratios.

Quarterly independent actuarial valuations of IBNR provisions as well as oversight by claims and insurance committee will provide comfort to the Board and reduce monthly volatility which accompanies strong growth patterns.

An annual Actuarial Function Holder report is also submitted to the Board to assist in the monitoring of the Company's claims results.

During 2021, PREMIUM continued to mitigate its 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 equivalent from other rating agencies).

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A3 Investment Performance

The Company is investing its capital into a diversified investment structure and set out parameters to achieve its conservative low risk investment approach. The Company is investing in sovereign and corporate bonds with a rating of A- (Moody's) or higher. During the year the company received €38,260 (2020 – 1,148) in interests and recorded fair value movement of €(150,445), (2020 – €59,120).

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

	2021	2020
	€	€
Fair value through profit or loss	4,589,945	3,634,145
Analysed by type of investment as follows:		
Sovereign bonds	2,038,000	1,606,665
Corporate bonds	2,551,945	2,027,480

The movements for the year are summarised as follows:

	2021	2020
	€	€
At 1 January 2021	3,634,145	-
Additions	1,106,245	3,575,025
Investment fair value movement	(150,445)	59,120
At 31 December 2021	<u>4,589,945</u>	<u>3,634,145</u>
Maturity of financial investments:		
Under 5 years	496,180	-
Over 5 years	4,093,765	3,634,145

A4 Performance of Other Activities

PREMIUM received reinsurance commission payable as part of the re-insurance agreement. Total commission payable to the Company amounts to €3,325,047 (2020 - €3,821,019) and commission earned and recognised as income in the financial statements amounts to €3,604,999 (2020 - €3,565,007).

A5 Any Other Information

The Company has continued monitoring the potential impact of COVID-19 across its key areas of business in Slovakia & Czech Republic. Notwithstanding the pandemic effect on the performance of the economies of both countries, the Company's performance and structure remained resilient and for the fourth consecutive year, the Company exceeded its income projections.

Whilst the situation is constantly evolving and uncertainties brought about by new variants of the virus remain, the Company established that although the pandemic risk impact is high, the performance of the business should continue being in line with forecast and resilient during 2021.

During 2021, there was a further capital contribution by the shareholders for the total amount of €1,000,000. This contribution continued supporting the business in achieving its objectives whilst at the same time strengthen the business platform. The shareholders have reiterated that they will continue supporting the Company to achieve its objectives to be a leading Slovakian insurer providing competitive Business-to-Business insurance propositions.

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B Systems of Governance

B1 General Information

B1.1 Structure of the Board and Committees

The Company places emphasis on continuing to build the brand awareness and on growth of its business portfolio. The Board of Directors (“Board”) has the responsibility to overview these objectives, while at the same time ensuring that the principles of sound and good governance are observed.

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

The Board has the ultimate responsibility for overseeing the business of the Company and for supervision of the management. In carrying out its duties, the Board considers the legitimate interests of the Company, its shareholders, its policyholders and any other stakeholders. The Board 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 Directors are:

- | | |
|--------------------|---|
| • Mojmír Vedej | Chairman |
| • Marek Benko | Non-Executive Director |
| • Stephen Quinn | Non-Executive Director (Resigned September 2021) |
| • Marcin Klugowski | Managing & Finance Director (Malta resident) |
| • Karl Micallef | Non-Executive Director (Malta resident) |
| • Sean Agius | Director (Malta resident) (Resigned September 2021) |

B1.2 Board Committees

As the company remains at an early stage of its development, the Board has adopted the following committee structures:

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.

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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 Audit Committee

During 2021, the Board has retained responsibility for this committee, which is chaired by the 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;
- 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 committees meet quarterly and report their findings to the Board during the quarterly Board Meetings.

B1.2.4 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. If there is a change in risk appetite to acquire more aggressive and diversified investment options, the Board will reconsider its position.

B1.3 Key Functions

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

- Actuarial
- Risk Management
- Compliance
- Internal Audit
- Investment
- Insurance
- Finance & IT
- Insurance Distribution

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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 are overseen by Directors of the business, thus ensuring they have the appropriate authority to carry out their roles.

B1.3.1 Risk Management

The responsibility and ownership of the risk management framework rests entirely with the Board and the 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 manage the risk management framework in line with the Company's strategic direction, review and monitor the risk register and appetite of the Company, oversee the calculation of the SCR and continuance compliance therewith and oversee and manage the ORSA to ensure that this forms an integral part of the decision making process.

B1.3.2 Compliance

The responsibility and ownership of compliance rests entirely with the Board and the 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 updates and carry out compliance related training to the employees.

B1.3.3 Actuarial

The company remains in the early stages of its development and has no internal actuarial team in place. Actuarial support has been arranged with an actuarial reputable consultancy firm based in the Czech Republic. As the function is overseen by a company director, the Board is satisfied that appropriate controls are in place.

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.

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

B1.3.4 Internal Audit

PREMIUM's Internal Audit function is overseen by a Malta-based Non-Executive Director, whilst the actual function is outsourced to a professional services provider, RSM. An annual internal audit programme is agreed by the Board and then the implementation, and timings, of that programme are

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agreed with RSM. The reports, recommendations and management actions (if applicable) following an internal audit, are reviewed by the Audit Committee and then presented to the Board for approval.

B1.4 Material Changes

Risk and Compliance function holder have resigned with effect from 31/12/2021. The Company has put in place a temporary arrangements in order to ensure continuity and ongoing compliance.

B1.5 Remuneration Policy and Practices

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

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.

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

B1.6 Material Transactions

B1.6.1 Shareholders

During 2021, PREMIUM received additional capital contribution of €1,000,000 (2020 - €1,400,000) from PREMIUM Investment Group s.r.o. (PIG).

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 for managing the business.

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

- Knowledge of insurance 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 will consider 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 are required to ensure that their skills and knowledge are kept up-to-date and to confirm this annually. The fitness of key individuals is monitored and reported on by the compliance function.

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B2.3 Policies and Processes regarding "Proper Requirements"

All individuals carrying out key or significant functions for the Company are required to demonstrate that they meet the Company's proper requirements 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 system including ORSA

B3.1 Risk Management System

B3.1.1 Company Risk Management

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

B3.1.2 Overview

PREMIUM categorises its risks as follows:

- Strategic Risk
- Insurance Risk
- 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.

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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 decisions being considered.

Risk events are reported to the Board when they occur and are recorded in the Risk Register, including their impact and resolution. Where further investigation is required, the Board will delegate responsibility 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 of Directors, working together with Risk & Compliance Officer and senior members of the Branch Office in Slovakia.

B3.1.6 Significant Risks Faced by The Company

The table below sets out the 5 highest risks currently faced by PREMIUM as set out in the Risk Register.

Risk Description	Risk Category	Controls/Mitigation	Residual Risk Rating
Incomplete financial spreadsheets, or incomplete or inadequate management information	Operational	Ongoing review of performance; reviews and reporting during the Committees and existing knowledge of the risks in the portfolio together with improved IT support platform.	16

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Unreliable records	policy	Operational	Ongoing review of performance, improved internal controls and checks over records.	16
Lack of clear reserving policy		Reserving	Reserving approach and practices are set by PREMIUM and outlined in the company's Reserving Policy. Performance is closely monitored monthly and discussed at Quarterly U/W and Claims Committee and Board meetings.	16
Downgrade in the good standing reputation of the jurisdictions that the Company operates from		Reputational	As all the business is written and regulated in the EU under EU insurance legislation, there is limited exposure for a jurisdiction to be downgraded to an extent that it will lose its good standing reputation.	15
Collapse of bank		Investment	The funds are held with a limited number of well-rated banking counterparties.	15
Lack of investment income from policy of holding reserves in case		Investment	Monthly & Quarterly monitoring reporting on the value and income from investment holdings.	15

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

	Probability					
Impact	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 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

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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 Company and the Board and management with a thorough understanding of the Company's risk profile and provide the information needed to make appropriate decisions.

The ORSA takes account of historic performance and future forecasts/budgets over the business planning horizon, which is a period of 3 years. The Risk & Compliance Officer, the senior management team and relevant outsourced providers carry out the ORSA.

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

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 management team, including Directors and the draft report is provided to the full Board for discussion, challenge and approval. This is applicable for each ORSA prepared.

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/reforecast of existing Business Plan;
- Forecast or reforecast of business for the 3 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.

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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 rests 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 internal control policy is targeted at ensuring that:

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

B4.2 Key Internal Control Procedures

Internal controls 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 at least a 6-monthly basis and this includes ongoing consideration of the appropriateness of the controls.

In addition, lower level operational controls are in place at the Slovakian branch office and the outsourced service providers.

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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).

The Internal Audit function will review 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, Compliance, 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 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.
- Compliance Monitoring Programme.
- Maintenance of Conflicts of Interest Register.
- Monitoring of Data Protection Register.
- Maintenance of Breach Logs.
- Guidance on regulatory or legislative changes.

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B4.3.4 Review of Compliance Policy

PREMIUM's Compliance Policy is reviewed on an ongoing basis and, formally, at least annually, in line with the review of the Governance Framework. Account is taken of any amendments that may be needed due to regulatory, legislative or other 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 responsible for evaluating 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.

PREMIUM's Internal Audit function is overseen by a 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, including remuneration;
- 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;

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- 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 overseen by a Director who is a highly experienced insurance industry professional.

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 appointed an external firm of Actuaries who are entirely independent from operational aspects of the business.

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 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 actuary for reserving purposes, provides the required degree of independence.

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B7 Outsourcing

B7.1 Outsourcing Policy

PREMIUM operates a model whereby various services required are outsourced, either to third party providers or to the Slovakian Branch Office. While this creates additional risk, it enables the Company to operate in the most effective manner.

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

- Support PREMIUM's business strategy and key objectives;
- Provide 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.

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B7.2 Outsourced Functions and Activities

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

Significant Function	Jurisdiction
Company Secretarial Services	Malta
Actuarial	Czech Republic
Policy administration and processing (including provision of MI)	Slovak Republic
Claims handling, reserving and settlement	Slovak 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.
TRACK CLAIM SLOVAKIA s.r.o.	Provision of claims data to the insurers, market research, technical input to policy documentation, assistance with product development and statistical and financial information, claims handling (including setting of reserves and advising on settlement of claims).	Track Claim is a specialist claims handler with number of years of experience in this field. Team comprises persons with the necessary range of skills, knowledge and experience to provide the services.
PREMIUM's Branch	Policy administration and processing, assistance with underwriting and rating of business, maintenance of any broker and intermediary relationships, assistance with purchase of reinsurance programmes, product development, initial claim notification, market research.	Registered with the MFSA and the NBS (Slovakia). The 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

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		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.

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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 a small portfolio of other business. In 2021, the Company launched a market-leading Residential Building (SME type) policy to cover condominium association related risks.

These developments will further assist the diversification of the portfolio and widening of the product offering.

PREMIUM's risk profile at 31 December 2021 is set out in the table below:

Risk Category	% of SCR at 31 December 2021
Market Risk	8%
Counterparty Risk	26%
Underwriting Risk	57%
Operational Risk	8%

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;
- Increase in the cost of claims, resulting in financial loss.

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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 and Quota Share reinsurance arrangements in place. These are set at a level consistent with a company of PREMIUM's risk profile.

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

- Detailed review of monthly MI to monitor underwriting and claims performance;
- Close oversight and management of the outsourced claims service provider;
- 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 volumes;
- Adverse changes in reinsurance programmes;
- Volatility in future loss ratios;
- Changes in run-off of existing reserves.

C2 Market Risk

C2.1 Material Risks

Market risk arises from changes in the income generated by investments or from changes in the value of such investments. 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

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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 acquired three bonds of reputable institutions with a high credit rating, Euro currency and short/medium duration, therefore minimising the impact of market risk.

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 brokers, 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.

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C3.3 Risk Mitigations

Company funds are deposited with a long established, trustworthy and reliable bank. All policies incepted during the period were written through long established and reputable corporate businesses, and reinsurance on the policies was placed with an appropriately rated reinsurance partner.

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

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

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

C3.4 Stress and Sensitivity Testing

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

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

C4 Liquidity Risk

C4.1 Material Risks

Liquidity risk is that the Company cannot meet its obligations when they fall due. The Company maintains significant holdings in liquid funds to mitigate this risk.

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

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

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

C4.2 Material Risk Concentrations

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

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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 amount of expected profit in future premium as at December 2021 is €1,993,211.

C5 Operational Risk

Based on the business forecasts, the company is expecting to report pre-tax profit of €297,010 over the next business planning period.

C5.1 Material Risks

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

PREMIUM has identified the following key operational risks:

- A key service provider is unable to continue to provide the required services to PREMIUM;
- Incomplete or inadequate management information;
- Unreliable policy records;
- Unreliable claims records;
- Fraud – internal;
- Fraud – external;
- Breach of Data Protection Law;
- System failure - hardware/software/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.

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It is the Company's policy to record its actual and potential risks in a Risk Register. This sets out the key risks to which the company is exposed and the controls in place to mitigate this risk.

Additionally, a log is maintained to monitor risk events when they occur, recording the cause of the event, the impact and any remedial actions that have been taken.

C5.3 Risk Mitigations

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

The key controls are:

- Four-eyes principle for MI production and analysis (within the Branch Office in Slovakia);
- 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

C6.1

Notwithstanding that five years have passed since inception of operations, PREMIUM remains in the 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.

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

While PREMIUM cannot mitigate such risks, the risk management process in the business will ensure that they are identified promptly, and any remedial action is taken. In addition, the extensive experience of the management team and the branch 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.

C6.2

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.

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D Valuation for Solvency Purposes

D1 Assets

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

The material classes of assets as at 31 December 2021, are as set out in the table below:

	Solvency II value	Statutory accounts value
Intangible assets	-	685,614
Property, plant & equipment held for own use	158,374	824,246
Financial investments	4,589,945	4,589,945
Cash and cash equivalents	8,093,190	8,093,190
Deferred acquisition costs	-	1,323,242
Insurance and intermediaries' receivables	-	3,041,943
Reinsurance recoverables	7,812,655	-
Reinsurance receivables	-	9,054,995
Receivables (trade, not insurance)	100,573	100,573
Any other assets, not elsewhere shown	2,978	33,785

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

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

D1.1 Intangible Assets

At 31 December 2021, PREMIUM held an intangible asset valued at €685,614 (2020 - €541,176), representing software acquisition and 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 software is different for Solvency II as it has no resale value.

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

At 31 December 2021, PREMIUM held tangible assets valued at €824,246 (2020 - €873,609), representing equipment acquisition costs less accumulated depreciation, right-of-use assets reported as part of tangible assets were valued at €745,309 (2020 - €726,240). For IFRS purposes, this asset has been valued on an amortised cost basis, and no significant estimate or judgement has been made.

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.

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D1.3 Financial investments

At the period end, PREMIUM held €4,589,945 (2020 - 3,634,145) 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 valuation of these assets is the same for IFRS and Solvency II.

D1.4 Cash and Cash Equivalents

At the period end, PREMIUM held €8,093,190 (2020 - €6,098,342) 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.

D1.5 Deferred Acquisition Costs

Deferred acquisition costs represent commission and similar expenses directly related to the acquisition of policies, which are deferred over the period relating to the underlying unearned premiums. At 31 December 2021 deferred acquisition costs amounted to €1,323,242 (2020 - €1,230,212).

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

D1.6 Insurance and Intermediaries Receivables

Insurance and intermediaries' receivable items represent premiums owed to PREMIUM from insured and co-insurance partners. At the year end, the Company was owed €3,041,943 (2020 - €2,689,332).

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


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

D1.7 Receivables (not insurance)

Other receivable amounts consist of commission payable as part of a re-insurance agreement, as at 31 December 2021 the amount due to PREMIUM was € 100,573 (2020 - €41,880).

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

There is no difference in the underlying valuation for IFRS and Solvency II.



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D1.8 Any Other Assets

Other assets represent prepayments and accrued income. At 31 December 2021 other assets amounted to €33,785 (2020 - €27,756).

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

D2 Technical Provisions

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

	Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance
Gross	1,955	1,242,657	399,532
Total recoverable from reinsurance	767	839,249	368,962
Net Best Estimate of Premium Provisions	1,188	403,409	30,570
Claims provisions			
Gross	73,497	7,280,999	1,400,159
Total recoverable from reinsurance	70,721	5,893,633	639,323
Net Best Estimate of Claims Provisions	2,776	1,387,365	760,836
Total Best estimate - gross	75,452	8,523,656	1,799,690
Total Best estimate - net	3,964	1,790,774	791,406
Risk margin	894	403,722	178,419
Technical provisions - total	76,346	8,927,378	1,978,109
Recoverable from reinsurance contract	71,488	6,732,882	1,008,284
Technical provisions minus recoverables	4,858	2,194,496	969,825

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 actuary.

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.


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D2.1.2 Expenses

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

D2.1.3 Events Not in Data

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

PREMIUM considers a number of scenarios and events which could occur and assesses their potential impact. Where this assessment concludes that the negative impact of ENIDs (i.e. increasing reserves) is greater than the potential positive impact (i.e. decreasing reserves), the Company makes provision for such events.

At 31 December 2021, management reached the conclusion that no provision for ENIDs was required.

D2.1.5 Discounting

Cash flows are discounted using the Malta risk-free interest rate structure (no volatility adjustment) as provided on a monthly basis by EIOPA.

D2.1.6 Risk Margin

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

D2.1.7 Allocation to Lines of Business

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

D2.1.8 Reinsurance Recoverables

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

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

D2.1.9 Simplifications

No simplifications were used.



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D2.2 Uncertainty

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

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

PREMIUM minimise the level of uncertainty through a robust process involving external actuarial advice and support. Claims performance are 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

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

- IFRS valuation of gross reserves may include a management load. Solvency II valuation is required to be at best estimate and any management load is removed;
- 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 include events not in data;
- IFRS reserves do not make allowance for bound but not incepted business;
- IFRS reserves are calculated without a risk margin;
- Insurance and intermediary receivables are set against total gross technical provisions for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate item on the balance sheet for IFRS reporting;
- Reinsurance receivables and payables are set against technical provision reinsurance recoverables for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate items on the balance sheet for IFRS reporting;

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


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	Gross Technical Reserves	Reinsurance Recoverables	Total
IFRS Reserves	13,395,172	9,054,995	4,340,177
Remove Unearned Premium net of future cancellations	(4,896,949)	(2,665,147)	(2,231,802)
Claims on Unexpired Risks	1,713,932	1,208,634	505,298
Receivables/Payables	-	-	-
Run-off Expenses and Other Adjustments	132,537	173,364	(40,827)
Effect of Discounting	54,106	40,808	13,298
Risk Margin	583,034	-	583,034
Solvency II Technical Provisions	10,981,833	7,812,655	3,169,179

D2.4 Transitional Adjustments

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

D2.5 Changes over the Period

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

D3 Other Liabilities


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

The material classes of liabilities as at 31 December 2021 except for gross technical provisions, are as set out in the table below:

	Solvency II value	Statutory accounts value
Reinsurance payables	-	2,039,800
Payables and accruals (trade, not insurance)	377,830	1,159,829
Deferred tax liabilities	1,214,943	-
Insurance & intermediaries payables	-	4,236,290
Any other liabilities, not elsewhere shown	-	1,138,595

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

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


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D3.1 Reinsurance Payables

At 31 December 2021 PREMIUM had €2,039,800 (2020 - €2,538,134) of reinsurance payables, being payments due under the Facultative and Quota Share arrangement. The amount due represents the reinsurers' shares of gross premium income. Settlements will be made following receipt of the corresponding premium income.

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

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

D3.2 Payables (trade, not insurance)

Payables (trade, not insurance) relate to balances owed to suppliers for the goods sold and services provided during the period. These amounts are valued at fair value, being the actual amounts payable. Total payables (trade, not insurance) as at 31 December 2021 were €1,010,892 (2020 - €880,226).

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

There difference in the underlying valuation for IFRS and Solvency II relates to valuation of leases liabilities which were valued at nil mirroring valuation of capitalised right-of-use assets.

D3.3 Insurance & Intermediaries Payables

At 31 December 2021 PREMIUM had €4,236,290, (2020 - €2,250,320) of Insurance and intermediaries' payables, being broker commission payable to the co-insurance partner.

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

The valuation basis is the same for IFRS and Solvency II purposes however, for Solvency II purposes these items, to the extent they are not considered overdue, are set against technical provisions reinsurance recoverable, whereas under IFRS they are shown separately on the balance sheet. There have been no changes in the valuation approach during the year.

D3.4 Other Liabilities

PREMIUM receives commission from its reinsurance partners. This is earned in line with the underlying premium, and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2021, PREMIUM had a total of €1,138,595 (2020 - €1,496,090) of deferred commission.

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

D4 Any Other Information

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

PREMIUM Insurance Company Limited

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 internal view of capital as determined by the ORSA. The intention is for capital requirements to be met in both the immediate and medium-term future.

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

There have been no changes in controls or processes during the period.

E1.1.2 Time Horizon for Business Planning and Material Changes

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

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

E1.2 Description of Own Funds

E1.2.1 Structure, Amount and Quality of own funds

PREMIUM currently only has basic own funds and no ancillary own funds. Own funds are comprised entirely of Share Capital and the Reconciliation Reserve and therefore all qualify as Tier 1 funds. The table below sets out PREMIUM's own funds at 31 December 2021, together with movements during the period:

	Ordinary Share capital	Capital contribution	Reconciliatio n Reserve	Total
	€	€	€	€
At 1 January 2021	7,500,000	2,400,000	(4,446,255)	5,453,745
Capital contribution	-	1,000,000	-	1,000,000
Loss for the financial period	-	-	(526,961)	(526,961)
At 31 December 2021	7,500,000	3,400,000	(4,973,216)	5,926,784

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

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E1.2.2 Terms and Conditions of Own Funds

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

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

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

	Own Funds
Own Funds per Financial Statements	5,926,784
Difference in Valuation of net Technical Provisions	10,225,993
Removal of Deferred reinsurance commission	989,657
Removal of Prepayments	(30,804)
Removal of Deferred Commissions	(1,323,245)
Removal of intangible assets	(685,615)
Removal of fixed assets	79,437
Removal of reinsurance receivables and payables	(5,820,847)
Right-of-use assets adjustments	36,690
Deferred tax liabilities	(1,214,944)
Own Funds per Solvency II Valuation	8,183,106

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	8,183,106
Solvency Capital Requirement	3,622,608
SCR Coverage	226%
Minimum Capital Requirement	3,700,000
MCR Coverage	221%

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.


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E2.2 SCR by Risk Module

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

Capital Components	€
Interest rate	303,159
Spread	178,913
Concentration	291,855
Currency	21,160
Property	39,594
Sub total	834,681
Less Diversification	361,698
SCR Market risk	472,983
SCR Counterparty Type 1	1,486,683
SCR Counterparty	1,486,683
SCR Non-Life Prem/Res Risk	2,059,417
SCR Non-Life Cat Risk	2,073,816
Sub total	4,133,233
Less Diversification	865,614
SCR Non-life risk	3,267,620
Total	5,227,286
Less Diversification	857,670
BSCR	4,369,616
SCR Operational	467,936
Less DT Adjustment	1,214,943
SCR	3,622,608
MCR	3,700,000

E2.3 Simplifications

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


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E2.4 Inputs used to Calculate the MCR

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

	Net (of reinsurance) best estimate technical provisions	Net (of reinsurance) written premiums in the last 12 months
	€	€
Motor	3,964	288,570
Fire and Other Damage to Property	1,790,774	2,373,914
General Liability	791,406	3,726,098
		€
Linear MCR		943,473
SCR		3,622,608
Combined MCR		905,652
Absolute Floor of the MCR		3,700,000
Minimum Capital Requirement		3,700,000

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.05.01.02 specifying information on premiums, claims and expenses using the valuations and recognition principles used by the Company's financial statements
- 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

PREMIUM Insurance Company Limited

G Conclusion

As illustrated in this report, PREMIUM Insurance Company Ltd is an ambitious, risk cultured, forward looking and adequately capitalised insurance undertaking that is capable 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 the potential adverse impact of the pandemic on the Slovakian and Czech Republic economies, whilst at the same time 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 6th April 2022

PREMIUM Insurance Company Limited

H Appendices

Appendix A

Quantitative Reporting Templates

PREMIUM Insurance Company Limited

Appendix A


Quantitative Reporting Templates

PREMIUM Insurance Company Limited

S.02.01.02

Balance sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Property, plant & equipment held for own use	R0060	158,374
Government Bonds	R0140	2,038,000
Corporate Bonds	R0150	2,551,945
Reinsurance recoverables from:	R0270	7,812,655
Non-life and health similar to non-life	R0280	7,812,655
Receivables (trade, not insurance)	R0380	100,572
Cash and cash equivalents	R0410	8,093,190
Any other assets, not elsewhere shown	R0420	2,978
Total assets	R0500	20,757,713
Liabilities		
Technical provisions - non-life	R0510	10,981,833
Best Estimate	R0540	10,398,799
Risk margin	R0550	583,034
Deferred tax liabilities	R0780	1,214,944
Payables (trade, not insurance)	R0840	377,830
Total liabilities	R0900	12,574,607
Excess of assets over liabilities	R1000	8,183,106


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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	Fire and other damage to property insurance	General liability insurance		
	C0040	C0070	C0080	C0200	
Premiums written					
Gross - Direct Business	R0110	300,816	10,554,610	4,684,992	15,540,418
Reinsurers' share	R0140	12,245	8,560,545	1,128,167	9,700,957
Net	R0200	288,571	1,994,065	3,556,825	5,839,461
Premiums earned					
Gross - Direct Business	R0210	301,916	10,431,444	4,321,024	15,054,384
Reinsurers' share	R0240	12,913	8,681,884	1,572,277	10,267,074
Net	R0300	289,003	1,749,560	2,748,747	4,787,310
Claims incurred					
Gross - Direct Business	R0310	21,210	4,741,012	901,337	5,663,559
Reinsurers' share	R0340	11,946	3,847,305	302,116	4,161,367
Net	R0400	9,264	893,707	599,221	1,502,192
Expenses incurred	R0550	168,252	2,087,747	1,482,490	3,738,490
Other expenses	R1200				73,589
Total expenses	R1300				3,812,079

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S.05.02.01

Premiums, claims and expenses by country

	CZ (by amount of gross premiums written) - non-life obligations	SK (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
	C0090	C0100	C0140
Premiums written			
Gross - Direct Business	1,371,484	14,168,934	15,540,418
Reinsurers' share	751,184	8,949,773	9,700,957
Net	620,300	5,219,161	5,839,461
Premiums earned			
Gross - Direct Business	1,030,466	14,023,918	15,054,384
Reinsurers' share	604,258	9,662,816	10,267,074
Net	426,208	4,361,102	4,787,310
Claims incurred			
Gross - Direct Business	263,118	5,400,441	5,663,559
Reinsurers' share	171,463	3,989,904	4,161,367
Net	91,655	1,410,537	1,502,192
Expenses incurred	330,197	3,408,293	3,738,490
Other expenses			
Total expenses			

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S.17.01.02
Non-Life Technical Provisions

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		Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance	Total Non-Life obligation
		C0050	C0080	C0090	C0180
Technical provisions calculated as a whole	R0010	-	-	-	-
Direct business	R0020	-	-	-	-
Accepted proportional reinsurance business	R0030	-	-	-	-
Accepted non-proportional reinsurance	R0040	-	-	-	-
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	-	-	-	-
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross - Total	R0060	1,955	1,242,657	399,532	1,644,144
Gross - direct business	R0070	1,955	1,242,657	399,532	1,644,144
Gross - accepted proportional reinsurance business	R0080	-	-	-	-
Gross - accepted non-proportional reinsurance business	R0090	767	839,249	368,962	1,208,978
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100				

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Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	767	839,249	368,962	1,208,978
Recoverables from SPV before adjustment for expected losses	R0120	-	-	-	-
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130	-	-	-	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	767	839,249	368,962	1,208,978
Net Best Estimate of Premium Provisions	R0150	1,188	403,409	30,570	435,166
Claims provisions					
Gross - Total	R0160	73,497	7,280,999	1,400,159	8,754,655
Gross - direct business	R0170	73,497	7,280,999	1,400,159	8,754,655
Gross - accepted proportional reinsurance business	R0180	-	-	-	-
Gross - accepted non-proportional reinsurance business	R0190				
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	70,721	5,893,633	639,323	6,603,677
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	70,721	5,893,633	639,323	6,603,677
Recoverables from SPV before adjustment for expected losses	R0220	-	-	-	-
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230	-	-	-	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	70,721	5,893,633	639,323	6,603,677

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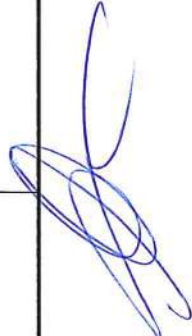
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Net Best Estimate of Claims Provisions	R0250	2,776	1,387,365	760,836	2,150,978
Total Best estimate - gross	R0260	75,452	8,523,656	1,799,690	10,398,799
Total Best estimate - net	R0270	3,964	1,790,774	791,406	2,586,144
Risk margin	R0280	894	403,722	178,419	583,034
Amount of the transitional on Technical Provisions					
TP as a whole	R0290				
Best estimate	R0300				
Risk margin	R0310				
Technical provisions - total					
Technical provisions - total	R0320	76,346	8,927,378	1,978,109	10,981,833
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	71,488	6,732,882	1,008,284	7,812,655
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	4,858	2,194,496	969,825	3,169,179
Line of Business: further segmentation (Homogeneous Risk Groups)					
Premium provisions - Total number of homogeneous risk groups	R0350	1	1	1	
Claims provisions - Total number of homogeneous risk groups	R0360	1	1	1	
Cash-flows of the Best estimate of Premium Provisions (Gross)					
Cash out-flows					
Future benefits and claims	R0370	1,303	2,189,812	1,166,531	3,357,647
Future expenses and other cash-out flows	R0380	652	1,823,329	1,064,918	2,888,899
Cash in-flows					
Future premiums	R0390			1,831,918	4,602,402
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400				-

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Cash-flows of the Best estimate of Claims Provisions (Gross)							
Cash out-flows							
Future benefits and claims	R0410	65,898	6,960,753	1,288,507	8,315,157		
Future expenses and other cash-out flows	R0420	7,600	320,246	111,652	439,497		
Cash in-flows							
Future premiums	R0430	-	-	-	-		
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440	-	-	-	-		
Percentage of gross Best Estimate calculated using approximations	R0450	-	-	-	-		
Best estimate subject to transitional of the interest rate	R0460						
Technical provisions without transitional on interest rate	R0470						
Best estimate subject to volatility adjustment	R0480	-	-	-	-		
Technical provisions without volatility adjustment and without others transitional measures	R0490	76,346	8,927,378	1,978,109	10,981,833		



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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
		C0010	C0020	C0030	C0040	C0050
Prior	R0100					
N-9	R0160	-	-	-	-	-
N-8	R0170	-	-	-	-	-
N-7	R0180	-	-	-	-	-
N-6	R0190	-	-	-	83,447	-
N-5	R0200	-	-	240,627	15,232	-
N-4	R0210	-	-	269,553	51,221	1,521
N-3	R0220	-	303,351	230,279	116,652	
N-2	R0230	-	783,995	278,087		
N-1	R0240	541,838	1,532,210			
N	R0250	861,324				

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	-	83,447
N-5	R0200	-	255,860
N-4	R0210	1,521	322,295
N-3	R0220	116,652	650,281
N-2	R0230	278,087	1,062,082
N-1	R0240	1,532,210	2,074,048
N	R0250	861,324	861,324
Total	R0260	2,789,794	5,309,337

PREMIUM Insurance Company Limited

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

		0	1	2	3
		C0200	C0210	C0220	C0230
Prior	R0100	-	-	-	-
N-9	R0160	-	-	-	-
N-8	R0170	-	-	-	-
N-7	R0180	-	-	-	-
N-6	R0190	-	-	-	-
N-5	R0200	-	-	-	-
N-4	R0210	-	-	-	-
N-3	R0220	-	-	-	230,828
N-2	R0230	-	-	673,191	-
N-1	R0240	-	2,839,676	-	-
N	R0250	4,520,077	-	-	-

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	-
N-4	R0210	-
N-3	R0220	244,540
N-2	R0230	713,180
N-1	R0240	3,008,357
N	R0250	4,788,577
Total	R0260	8,754,655

PREMIUM Insurance Company Limited

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted
		C0010	C0020
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		 	
Ordinary share capital (gross of own shares)	R0010	7,500,000	7,500,000
Reconciliation reserve	R0130	(2,716,894)	(2,716,894)
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	3,400,000	3,400,000
Total basic own funds after deductions	R0290	8,183,106	8,183,106
Available and eligible own funds		 	
Total available own funds to meet the SCR	R0500	8,183,106	8,183,106
Total available own funds to meet the MCR	R0510	8,183,106	8,183,106
Total eligible own funds to meet the SCR	R0540	8,183,106	8,183,106
Total eligible own funds to meet the MCR	R0550	8,183,106	8,183,106
SCR	R0580	3,622,608	
MCR	R0600	3,700,000	
Ratio of Eligible own funds to SCR	R0620	226%	
Ratio of Eligible own funds to MCR	R0640	221%	

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	8,183,106
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	10,900,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	(2,716,894)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	1,993,211
Total Expected profits included in future premiums (EPIFP)	R0790	1,993,211

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PREMIUM Insurance Company Limited

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	472,983	
Counterparty default risk	R0020	1,486,683	
Life underwriting risk	R0030	-	
Health underwriting risk	R0040	-	
Non-life underwriting risk	R0050	3,267,620	
Diversification	R0060	(857,670)	
Intangible asset risk	R0070	-	
Basic Solvency Capital Requirement	R0100	4,369,616	

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	467,936
Loss-absorbing capacity of deferred taxes	R0150	(1,214,944)
Solvency Capital Requirement excluding capital add-on	R0200	3,622,608
Solvency capital requirement	R0220	3,622,608

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
LAC DT	R0640	(1,214,944)
LAC DT justified by reversion of deferred tax liabilities	R0650	(1,214,944)
Maximum LAC DT	R0690	(1,214,944)

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 _{NL} Result	R0010	943,473

		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	3,964	288,570
Fire and other damage to property insurance and proportional reinsurance	R0080	1,790,774	2,373,914
General liability insurance and proportional reinsurance	R0090	791,406	3,726,098

		C0070
Linear MCR	R0300	943,473
SCR	R0310	3,622,608
MCR cap	R0320	1,630,174
MCR floor	R0330	914,011
Combined MCR	R0340	905,652
Absolute floor of the MCR	R0350	3,700,000
Minimum Capital Requirement	R0400	3,700,000


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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 2021

(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.

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;

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 (continued)

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 2021 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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6 April 2022