



**PREMIUM  
INSURANCE COMPANY**

**SOLVENCY AND FINANCIAL CONDITION REPORT  
FOR THE PERIOD ENDING 31 DECEMBER 2022**



----- **PREMIUM Insurance Company Limited** -----

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

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

# Contents

Executive Summary .....	4
A Business and Performance .....	6
A1 Business Information.....	6
A2 Underwriting Performance .....	9
A3 Investment Performance.....	11
A4 Performance of Other Activities.....	11
A5 Any Other Information .....	11
B Systems of Governance .....	12
B1 General Information.....	12
B2 Fit and proper requirements .....	16
B3 Risk Management Framework .....	17
B4 Internal Control System.....	21
B5 Internal Audit Function .....	23
B6 Actuarial function .....	24
B7 Outsourcing.....	25
B8 Any Other Information .....	27
C Risk Profile .....	28
C1 Underwriting Risk .....	28
C2 Market Risk.....	30
C3 Credit risk .....	31
C4 Liquidity Risk.....	32
C5 Operational Risk .....	32
C6 Any other information.....	34
D Valuation for Solvency Purposes.....	35
D1 Assets.....	35
D2 Technical Provisions .....	37
D3 Other Liabilities .....	40
D4 Any Other Information .....	41
E Capital Management.....	42
E1 Own funds .....	42
E2 Solvency Capital Requirement and Minimum Capital Requirement .....	43
E3 Non-compliance with Minimum Capital Requirement or Solvency Capital Requirement.....	45
F Disclosure of Regulatory Templates.....	46
G Conclusion .....	47



H Appendices .....48  
Appendix A .....49  
Quantitative Reporting Templates.....49



# Executive Summary

**PREMIUM Insurance Company Limited (“the Company” / “PREMIUM”)** was established in Gibraltar in 2015 and licenced to conduct insurance activities in 2016 by the Gibraltar Financial Services Commission. Following the decision of the United Kingdom to withdraw from the EU, the Company was re-domiciled in Malta to maintain access to the European single market. PREMIUM received authorisation from the Malta Financial Services Authority (“the MFSA”) in March 2019

The Company underwrites Industrial and Commercial property and liability, 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 insurance undertaking authorised by MFSA to carry on business of insurance and re-insurance. The Company writes risks either on a 100% basis or on a co-insurance share arrangement being either a leader or a follower.

The business is written mainly in Slovakia on a Freedom of Establishment basis (via a Branch in Bratislava), with an ever-increasing percentage of the Company’s portfolio written in the Czech Republic under Freedom of Services basis. As part of the expansion strategy, the Company has applied to MFSA to start writing business in Czech Republic on a Freedom of Establishment basis (via a Branch in Prague) which application is pending at the time of compilation of this report. Furthermore, the Company has widened its Freedom of Services territories at the end of 2022 to include Germany, Austria, Hungary, Poland and Croatia to capture risks in these territories with Slovak and Czech business interest.

During the reporting period, PREMIUM saw further significant growth in both gross written premiums, which increased by 41% in comparison with the previous year, and net written premiums, which increased by 53% in comparison with the previous year. Commercial and industrial property business continued to dominate the account, with commercial liability being the second most important class of business. The retail business gained a lot traction in 2022 with over 100% increase over last year. Gross and Net premiums are expected to continue growing throughout the following 3- year period.

Financial highlights are as follows:-

	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>€ 000</b>	<b>€ 000</b>
Gross written premium	21,934	15,540
Net written premium	8,929	5,839
Claims incurred net of reinsurance	3,687	1,681
Net operating expenditure	4,417	3,560
Retained losses	5,991	4,973

## System of governance

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



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

### **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 three-year planning period.

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

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

The Board of PREMIUM acknowledges its responsibilities for the preparation of this Solvency and Financial Condition Report ("SFCR") in accordance with Chapter 8 of the Insurance Rules issued by MFSA, Article 293 to Article 297 of the EU Commission Delegated Regulation 205/35 and the Guidelines on Reporting and Public Disclosure issued by the European Insurance and Occupational Pensions Authority ("EIOPA").

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

This SFCR was approved by the Board on the 4<sup>th</sup> April 2023.

# A Business and Performance

## A1 Business Information

PREMIUM was redomiciled from Gibraltar to Malta in March 2019 following the UK decision to leave the European Union ('Brexit'). The Company is established in Malta and is licensed by MFSA where it operates under the European passport regime for insurance. The Information below reflects the information about the Company as at 31<sup>st</sup> December 2022.

### A1.1 Company Details

PREMIUM Insurance Company Limited  
68, George Borg Olivier Street,  
St Julian's STJ 1081, Malta (*until 31st January 2023*)

New Registered Office Address from 1<sup>st</sup> February 2023: Level 3, CF Business Centre,  
Triq Gort,  
St Julian's STJ 3061, Malta

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 l-Imdina, Zone 1  
Central Business District  
Birkirkara CBD 1010  
Malta

### A1.3 Statutory Auditor

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

The PIG registered number is 47436140

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



### A1.5 Group Structure



### A1.6 Staff information

At the end of the period, PREMIUM had 28 employees, 4 based in the Head Office in Malta, 23 employees based in the branch office in Bratislava and 1 employee based in Prague. Total staff salaries and directors' emoluments for 2022 were €1,594,110 (2021 – €1,246,884).

## **A1.7 Material Lines of Business and Geographical Areas**

PREMIUM covers risks in the Slovak Republic on a Freedom of Establishment basis from Bratislava Branch and risks in Czech Republic on a Freedom of Services basis from Malta Head Office. During the period (re)insurance, contracts were concluded in Malta, Slovak Republic and Czech Republic. On the 20<sup>th</sup> October 2022, the Company was also granted licence to write business in Germany, Austria, Hungary, Poland and Croatia on Freedom of Services basis and no business was secured as at the end of the reporting year.

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 2022 amounted to €21,933,597 (2021 - €15,540,418). Net of reinsurance, written premium amounted to €8,928,862 (2021 - €5,839,460).

Gross loss ratio during the period ending December 2022 amounted to 32% (2021 – 40%). Net of reinsurance, the loss ratio for the reporting period amounted to 41% (2021 – 35%).

## **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 2019.

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-focused 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 continued to distribute its' products solely through a network of licenced independent insurance intermediaries both in Slovakia and Czech Republic



## A2 Underwriting Performance

During 2022, PREMIUM saw further steady growth in its chosen markets and the written Gross Premiums exceeded its projections, with a positive correlated increase in Net Premiums. However, the Company continued to be prudent 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.

	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>Motor vehicle liability</b>	<b>Fire and other damage to property</b>	<b>General liability</b>
	€	€	€
Gross premiums written	<u>3,186</u>	<u>15,955,396</u>	<u>5,975,015</u>
Gross premiums earned	<u>3,933</u>	<u>13,699,324</u>	<u>5,543,404</u>
Reinsurance premium earned	<u>4,727</u>	<u>10,419,500</u>	<u>1,115,977</u>
Gross claims incurred (including movement in provisions)	<u>(49,443)</u>	<u>4,962,906</u>	<u>1,530,538</u>
Net claims incurred	<u>12,440</u>	<u>1,741,236</u>	<u>1,660,321</u>
	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>Motor vehicle liability</b>	<b>Fire and other damage to property</b>	<b>General liability</b>
	€	€	€
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>

Due to the careful risk selection, and the excellent historic claims pattern of the insured entities, claims experience was close to 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 80%) are being secured in Slovakia.

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

Average loss ratios as at YE 2022 compared with loss ratios used for forecasts are set below:

<b>Business Line</b>	<b>2022 (%)</b>	<b>Forecast (%)</b>
Property	42	37
Liability	29	37
MTPL	14	37

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 the Insurance (including Reinsurance) & Claims Committee provides comfort to the Board and reduce monthly volatility.

An annual Actuarial Function Holder report is also submitted to the Board to assist in the reviewing and monitoring of the Company's claims performance, with focus on adequate reserving and impact on the Solvency Capital requirements.

During 2022, 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 Moody's (or equivalent from other rating agencies).





### 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. In view of the impact of increased interest rates to ease inflation mainly due to disruption in the supply chain fuelled by the geopolitical instability brought about by the Ukraine and Russia conflict, the return of the Company's investment portfolio was in the negative territory over most of 2022. During the reporting year, the Company received €36,125 (2021 – €38,260) in interest and recorded a negative fair value movement of €774,035 (2021 – €150,445).

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

	2022	2021
	€	€
Fair value through profit or loss	3,815,910	4,589,945
Analysed by type of investment as follows:		
Government bonds	1,564,150	2,038,000
Corporate bonds	2,251,760	2,551,945

The movements for the year are summarised as follows:

	2022	2021
	€	€
At 1 January	4,589,945	3,634,145
Additions	-	1,106,245
Investment fair value movement	(774,035)	(150,445)
At 31 December	3,815,910	4,589,945
Maturity of financial investments:		
Under 5 years	1,771,745	496,180
Over 5 years	2,044,165	4,093,765

### 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 €4,488,882 (2021 - €3,473,818) and commission earned, net of change in deferred reinsurance commissions, amounts to €4,317,989 (2021 - €3,757,903).

### A5 Any Other Information

The Company has continued monitoring the residual potential impact of COVID-19 across its key areas of business in Slovakia & Czech Republic with no impact recorded over 2022. However, the Company recognised the potential negative impact on the performance of the business due to the increased inflation across its territories of business and performance results continued to be monitored closely throughout the year. The disruption in the supply chain and the geopolitical risks fuelled the rise in inflation with potential recession considerations however, notwithstanding these recognised high risks factors, the Company's performance and structure remained resilient and for the fifth consecutive year, the Company exceeded its income projections.

## **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 has the responsibility to overview these objectives, while at the same time ensuring that the principles of sound and good governance are observed.

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

The Board has the ultimate responsibility for overseeing the business of the Company and for supervision of the management. In carrying out its duties, the Board considers the legitimate interests of the Company, its shareholders, its policyholders and any other stakeholders. The Board sets the standards of conduct of the Company, provides direction and oversight, and promotes a culture of integrity within the business.

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

The Board of Directors is composed by:

- Mojmir Vedej Chairman (Slovakia resident)
- Marek Benko Non-Executive Director (Slovakia resident)
- Marcin Klugowski Managing & Finance Director (Malta resident)
- Karl Micallef Independent Non-Executive Director (Malta resident)
- Sean Agius Executive Director (Malta resident) *from 25.08.2022*
- Jessica Stivala Independent Non-Executive Director (Malta resident) *from 07.12.2022*

#### ***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.



### **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 2022, the Board has retained responsibility for this committee, which is chaired by an Independent Non-Executive Director, responsible for the oversight of the Internal Audit function. The main responsibilities of the committee are:

- Developing, managing and monitoring internal and external audit strategy, ensuring the requirements of the business plan, risk appetite of the Company and any statutory or regulatory requirements are met;
- Managing and monitoring performance of PREMIUM's external auditors and the effectiveness of internal audit arrangements;
- Monitoring changes to accounting standards, financial regulation and legislation and identifying any potential impact to the Company (including the monitoring of implementation of IFRS17);
- Ensuring the internal audit programme has been communicated as required within the Company and externally as required to regulatory authorities and other interested parties;
- Ensuring due care and skill is exercised in relation to compliance with statutory and regulatory requirements and that compliance with all such requirements is embedded in the culture of the Company, its core systems and processes and its management and employees;
- Ensuring PREMIUM's reputation and integrity is maintained at the highest possible standard.

The 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

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, therefore 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. The Actuarial Function is currently in-house supported by two actuarial reputable consultancy firms – ComPass & Tools4F - however the Board has approved to outsource this function to a specialised provider from 1<sup>st</sup> February 2023 and the Company is designating a Director who is highly experienced insurance industry professional to oversee this function. These appointments are currently subject to approval by MFSA.

Specific duties of the Actuarial Function include:

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

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. Tools4F Finance s.r.o. assist in the Risk Margin and Solvency Capital Requirements calculations together with the reporting and compilation of the ORSA and Actuarial Function Holder Report workings.



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

PREMIUM's Internal Audit function is overseen by an Independent Non-Executive Director, whilst the Internal Audit function is outsourced to a professional services provider, RSM Malta. An annual internal audit programme is approved by the Board and the implementation and timings of that programme are agreed with RSM. The corresponding internal audit review reports, recommendations and management actions (if applicable) are reviewed by the Audit Committee and presented to the Board for approval.

#### **B1.4 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. The Company does not provide supplementary pension or early retirement schemes.

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

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

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

- i) Integrate Environment, Social and Governance ("ESG") risks in the prudential framework of insurers and pension funds;
- ii) Consolidate the macro/micro prudential risk assessment of ESG risks;
- iii) Promote sustainability disclosures and a sustainable conduct of business framework;
- iv) Support supervision of ESG risks and supervisory convergence in the EU;
- v) Address protection gaps;
- vi) Promote the use of open source modelling and data in relation to climate change risks; and
- vii) Contribute to international convergence for the assessment and management of sustainability risks.

The integration of ESG risk in the prudential framework of insurance and reinsurance undertakings came into force in August 2022 through the Commission Delegated Regulation (EU) 2021/1256. To this effect, PREMIUM has embarked on a process to review the current governance framework to integrate ESG considerations by reviewing the current governance policies, creating a dedicated ESG governance policy and, considering having a dedicated Sustainability Officer by the end of 2023. These changes will include the review of underwriting and reserving risks to mitigate the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisions due to internal and external factors, including sustainability risks. The review of the Investment Policy to identify and mitigate sustainability risks relating to the investment portfolio. The review of the Remuneration Policy to integrate sustainability risk considerations like equality, transparency and non-discriminatory factors and, the Risk Management Function is also to identify

and assess and action measures to mitigate the impact by sustainability risks, including climate and environmental risks.

### ***B1.6 Material Changes***

The in-house approved Risk & Compliance Function Holder was reinstated with effect from April 2022 and the Board has agreed to outsource the Actuarial Function role from beginning of 2023. There were no other material changes during 2022.

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

There were no material transactions during 2022.

## **B2 Fit and proper requirements**

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

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

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

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

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

The Board 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 carrying out significant function/s are required to ensure that their skills and knowledge are kept up-to-date and this to be confirmed annually. The fitness of key individuals is monitored and reported on by the Compliance Function.

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

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

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

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



PREMIUM's Compliance Function ensures that appropriate notification documents are prepared for all individuals carrying out notifiable functions for the Company and submitted for regulatory approval. The Compliance Function is responsible for checking propriety on an ongoing basis and reports to the Board at least annually.

### **B3 Risk Management Framework**

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

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

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

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

PREMIUM categorises its risks as follows:

- Strategic Risk
- Insurance Risk
- Reinsurance Risk
- Market Risk
- Liquidity Risk
- Credit Risk
- Concentration Risk
- Operational Risk
- Reputational Risk
- Asset-Liability Management Risk

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

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

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

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

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

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

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

The highest rated risks are reported to the Board on a regular basis by the Risk & Compliance Function Holder. In addition, at each Board meeting, consideration is given to whether the Company's risk profile or risk exposures have changed or altered due to changes to the Company's micro and macro environment.

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

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

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

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

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

The table below represents the five highest risks as set out in the Risk Register as at 31<sup>st</sup> December 2022.

<b>Risk Description</b>	<b>Risk Category</b>	<b>Controls/Mitigation</b>	<b>Residual Risk Rating</b>
Increase in Geopolitical risks due to the conflict in Ukraine resulting in high inflation and/or recession.	Strategy	Close monitoring of market developments, business performance and risk considerations.	15
Collapse of Bank.	Credit	Funds are deposited in well established and well rated banking establishments. Close monitoring of bank financial performance.	15
Loss of investment income and weakening of the Prudential Person Principles.	Market	Close monitoring of investments portfolio movements and market trends and projections.	15



Higher than projected claims in frequency and costs.	Reserving	Close monitoring of movements of claims including frequent reporting and quarterly review by the Insurance (including Re-insurance) & Claims Committee.	12
Change in reinsurance Credit Rating and related counter party risks.	Reinsurance	Close monitoring of credit rating of selected re-insurers by the Company and the re-insurance broker.	12

None of the above risks is assessed as “high” on the Company’s risk matrix.

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

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

### **B3.2 Own Risk and Solvency Assessment**

#### **B3.2.1 ORSA Process and Integration**

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

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

PREMIUM conducts at least an annual ORSA after which a formal report is prepared. 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 executive 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 three subsequent years;
- Calculation from historical data for relevant patterns/assumptions and use of market data for validation purposes;
- Calculation of the SCR based on the Business Plan and assumptions;
- Discussion by the Board of the Business Plan, assumptions, and other details underlying the SCR calculation;
- Revision of the Business Plan, assumptions and/or SCR calculation where required following such discussion;
- Consideration of specific risks, PREMIUM's specific risk profile, limits and tolerances as to their impact on the Business Plan, assumptions and/or SCR calculation;
- Stress and scenario testing of the Business Plan, assumptions and/or SCR calculations;
- Final discussion and sign-off by the Board.

The ORSA documentation comprises the following:

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

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

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

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

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



## **B4 Internal Control System**

### ***B4.1 Internal Control System***

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

Responsibility for establishing an appropriate internal control environment 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 every quarter and this includes ongoing consideration of the appropriateness of the controls.

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

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

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, Risk & Compliance Function, and the Internal Audit Function of observed or known weaknesses or failures within the internal control system.

### ***B4.3 Compliance Function***

#### ***B4.3.1 Implementation of Compliance Function***

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

The Risk & Compliance Officer is responsible for the management of this function. The Compliance Function has established a Compliance Monitoring Programme which is approved by the Board on an annual basis. Compliance formally reports to the Board and Risk & Compliance Committee on a quarterly basis on tasks carried out during the quarter. The Board does not otherwise seek to instruct or influence the Compliance Function.

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

The in-house compliance function is operationally independent from the other areas of the business.

The Compliance Function is authorised to access all areas of the business and is has full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

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

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

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



## **B5 Internal Audit Function**

### ***B5.1 Implementation of the Internal Audit Function***

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

It is mandated to evaluate management's approach to risk management and governance, with particular emphasis on systems of internal control. It investigates how the Company's processes and controls operate to assess their effectiveness in ensuring compliance with strategy and policies.

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

PREMIUM's Internal Audit function covers all aspects of the Company's business including:

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

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

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

Where an internal audit has been requested, the auditor(s) is authorised to review all areas of the Company and its business and is therefore entitled to have full and unrestricted access to all information, records, property, personnel and activities.

Staff and management have a duty to make all requested information available promptly and to assist with any enquiries.

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

The internal audit plan will selectively cover areas including:

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

## **B6 Actuarial function**

### ***B6.1 Implementation of Actuarial Function***

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

PREMIUM's Actuarial Function covers all aspects of the business regarding insurance risk, including:

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

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

Specific duties of the Actuarial Function include:

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

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

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

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

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

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

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

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



## **B7 Outsourcing**

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

PREMIUM operates a model whereby various services required are outsourced to reputable and professional third-party service providers. While this creates additional risk, it enables the Company to operate in the most effective manner.

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

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

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

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

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

## B7.2 Outsourced Functions and Activities

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

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

## B7.3 Information on Outsourced Providers

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



## **B8 Any Other Information**

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

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

The Board has in place a process of regularly evaluating the effectiveness of the systems of governance to ensure that:

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

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

A further independent review is carried out by the Internal Audit function with respect to the established areas for review as per the Internal Audit Plan. The review of the effectiveness of the Internal Audit function itself will be carried out by the Board.

In addition, the Board may select any areas of governance where it has concerns for an in-depth review were felt appropriate.

## C Risk Profile

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

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

PREMIUM's risk profile at 31 December 2022 is set out in the table below:

<b>Risk Category</b>	<b>% of SCR at 31 December 2022</b>
Market Risk	7%
Counterparty Risk	22%
Underwriting Risk	61%
Operational Risk	9%

### 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.



### **C1.2 Material Risk Concentrations**

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

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

### **C1.3 Risk Mitigations**

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

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

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

- Detailed review of monthly MI to monitor underwriting and claims performance;
- Regular review and audit of claims and underwriting files;
- Annual independent actuarial review of claims provisions;
- Quarterly actuarial reviews of IBNR claims provisions;
- Regular updates of the Risk Register, including reporting of any risk events;
- Stress testing of loss ratios as part of the ORSA process;
- In-house oversight and control of large claims or underwriting referrals.

### **C1.4 Stress and Sensitivity Testing**

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

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

## **C2 Market Risk**

### **C2.1 Material Risks**

Market risk arises from changes in the income generated by investments or from changes in the value of such investments. It includes risks associated with movements in interest rates, foreign exchanges exposure and valuation processes. None of these sources of risk are independent of others and therefore giving due consideration to these correlations is an important aspect of the prudent management of market risk. The Company considers market risk to consist mainly of the risk of fluctuations in the value of or income from its assets due to external factors in the marketplace. The objectives are to:

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

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

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

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

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

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

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

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

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

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



### **C3 Credit risk**

#### **C3.1 Material Risks**

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

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

#### **C3.2 Material Risk Concentrations**

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

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

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 partners.

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

- Distribution through multiple insurance intermediaries (although it is acknowledged that there is significant dependence on the largest insurance intermediaries);
- 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 re-insurers. Liquidity management ensures the Company has sufficient access to funds to cover insurance claims, withdrawals and maturing liabilities.

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

### **C4.2 Material Risk Concentrations**

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

### **C4.3 Risk Mitigations**

The Company aims to ensure that it has sufficient cash at all times. Liquidity risk is mitigated through the funds held with banks.

### **C4.4 Stress and Sensitivity Testing**

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

### **C4.5 Expected Profit in Future Premiums**

The amount of expected profit in future premium as at December 2022 is €2,471,301.

## **C5 Operational Risk**

Based on the business forecasts, the Company is expecting to report pre-tax profit of €130,000 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 statutory obligations. Reputational risks have also been considered in this category.

PREMIUM has identified the following key operational risks:

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



- Fraud – external;
- Breach of Data Protection Law;
- System failure - hardware/software/service provider/third party;
- Malicious & Cyber acts - hacking/viruses/industrial espionage;

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

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

### ***C5.2 Material Risk Concentrations***

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

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

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

### ***C5.3 Risk Mitigations***

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

The key controls are:

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

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

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

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

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

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

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

#### **C6 Any other information**

##### **C6.1**

Notwithstanding that seven 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.

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

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

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

##### **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 at this stage of development of the business.



## D Valuation for Solvency Purposes

### D1 Assets

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

The material classes of assets as at 31 December 2022, are as set out in the table below:

	Solvency II value €	Statutory accounts value €
Intangible assets	-	876,781
Property, plant & equipment held for own use	161,780	758,661
Financial investments	3,815,910	3,815,910
Cash and cash equivalents	8,990,657	8,990,657
Deferred acquisition costs	-	2,000,561
Insurance and intermediaries' receivables	-	4,830,604
Reinsurance recoverables	6,026,434	9,211,913
Reinsurance receivables	-	-
Receivables (trade, not insurance)	86,095	133,777
Deferred Tax Asset	225,759	225,759
Any other assets, not elsewhere shown	88,845	88,845

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 2022, PREMIUM held an intangible asset valued at €876,781 (2021 - €685,614), 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 2022, PREMIUM held tangible assets valued at €758,661 (2021 - €824,246), representing equipment acquisition costs less accumulated depreciation, right-of-use assets reported as part of tangible assets were valued at €698,765 (2021 - €745,309). 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.

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

At the period end, PREMIUM held €3,815,910 (2021 – €4,589,945) 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 €8,990,657 (2021 - €8,093,190) 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 2022 deferred acquisition costs amounted to €2,000,561 (2021 - €1,323,242).

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 €4,830,604 (2021 - €3,041,943).

Premiums receivables 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 2022 the amount due to PREMIUM was €133,777 (2021 - €100,573).

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

There is no difference 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 recoverable, whereas under GAAP they are shown separately on the balance sheet.



## D1.8 Any Other Assets

Other assets represent prepayments and accrued income. At 31 December 2022 other assets amounted to €88,845 (2021 - €33,785).

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

## D1.9 Deferred Tax

As 31 December 2022, the Deferred Tax Asset amounted to €225,759 (2021 – Nil).

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

## 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	213	574,430	-31,236
Total recoverable from reinsurance	457	1,109,272	13,958
Net Best Estimate of Premium Provisions	-244	-534,842	-45,194
Claims provisions			
Gross	5,821	6,214,776	2,398,791
Total recoverable from reinsurance	1,745	4,504,714	396,289
Net Best Estimate of Claims Provisions	4,077	1,710,062	2,002,502
Total Best estimate - gross	6,034	6,789,207	2,367,555
Total Best estimate - net	3,833	1,175,220	1,957,308
Risk margin	794	243,362	405,315
Technical provisions - total	6,828	7,032,568	2,772,869
Recoverable from reinsurance contract	2,201	5,613,986	410,247
Technical provisions minus recoverables	4,626	1,418,582	2,362,623

### D2.1 Bases, Methods and Assumptions

#### D2.1.1 Best Estimate

The starting point for the valuation of technical provisions is the best estimate of claims costs, both on earned and on unearned exposure, for all business written at the valuation date. The best estimate loss ratios are derived by the independent actuarial service provider.

Estimated loss ratios used for the best estimate are the same ratios which were used for the financial forecasting prepared as a part of the licensing process.

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

#### ***D2.1.2 Expenses***

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

#### ***D2.1.3 Events Not in Data***

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

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 2022, 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.

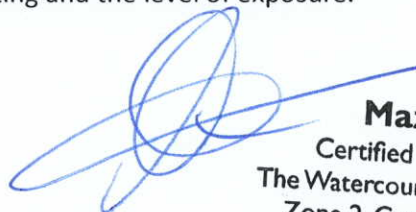
#### ***D2.1.8 Reinsurance Recoverables***

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.



**Mazars Malta**  
Certified Public Accountants  
The Watercourse, Level 2, Mdina Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2012, Malta



## **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 outsourced service providers. Claims performance is 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;



### **Mazars Malta**

Certified Public Accountants

The Watercourse, Level 2, Mdina Road,

Zone 2, Central Business District,

Birkirkara – CBD 2010, Malta

VAT: MT 1529 6002

Tel: +356 213 45 760

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

	<b>Gross Technical Reserves</b> €	<b>Reinsurance Recoverables</b> €	<b>Total</b> €
IFRS Reserves	16,498,563	9,211,913	7,286,650
Remove Unearned Premium net of future cancellations	(7,583,884)	(4,129,679)	(3,454,205)
Bound but not Incepted	(1,580,570)	(510,733)	(1,069,838)
Claims on Unexpired Risks	2,578,856	1,574,527	1,004,329
Receivables/Payables	-	-	-
Run-off Expenses and Other Adjustments	(306,682)	129,606	(436,288)
Effect of Discounting	(443,487)	(249,200)	(194,287)
Risk Margin	649,470	-	649,470
Solvency II Technical Provisions	9,812,265	6,026,434	3,785,831

#### **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 basis, methods and, assumptions have been used in valuing each material class of liabilities for Solvency II purposes.

The material classes of liabilities as at 31 December 2022 except for gross technical provisions, are as set out in the table below:

	<b>Solvency II value</b> €	<b>Statutory accounts value</b> €
Reinsurance payables	-	2,362,743
Payables (trade and taxes, not insurance)	580,493	1,184,188
Insurance & intermediaries payables	-	4,011,924
Any other liabilities, not elsewhere shown	1,301,131	1,967,253

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.

  
**Mazars Malta**  
 Certified Public Accountants  
 The Watercourse, Level 2, Mdina Road,  
 Zone 2, Central Business District,  
 Birkirkara – CBD 2010 Malta



### **D3.1 Reinsurance Payables**

At 31 December 2022 PREMIUM had €2,362,743 (2021 - €2,039,800) 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 are 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 and taxes, 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 2022 were €1,184,188 (2021 - €1,010,892).

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 2022 PREMIUM had €4,011,924 (2021 - €4,236,290) of Insurance and intermediaries' payables, being broker commission payable and/or the amounts 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, the commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2022, PREMIUM had a total of €1,967,253 (2021 - €1,138,595) of deferred commission.

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

### **D4 Any Other Information**

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

# E Capital Management

## E1 Own funds

### E1.1 Management of Own Funds

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

PREMIUM has in place controls and processes to ensure that the Company has the appropriate levels and quality of capital to meet both the SCR and the MCR 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.

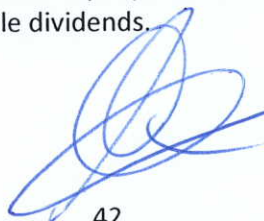
## E1.2 Description of Own Funds

### 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 2022, together with movements during the period:

	Ordinary Share capital	Capital contribution	Reconciliation Reserve	Total
	€	€	€	€
At 1 January 2022	7,500,000	3,400,000	(4,973,216)	5,926,784
Loss for the financial period	-	-	(1,017,985)	(1,017,985)
At 31 December 2022	7,500,000	3,400,000	(5,991,201)	4,908,799

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



### Mazars Malta

Certified Public Accountants  
The Watercourse, Level 2, Mdina Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2010, Malta  
VAT: MT 1520 1222



### **E1.2.2 Terms and Conditions of Own Funds**

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

### **E1.2.3 Difference in Own Funds between Financial Statements and Solvency II Valuation**

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

	<b>Own Funds</b> €
Own Funds per Financial Statements	4,908,807
Difference in Valuation of net Technical Provisions	3,500,819
Removal of Deferred reinsurance commission	1,816,044
Removal of Deferred Commissions	(2,000,561)
Removal of intangible assets	(876,781)
Difference in Valuation of fixed assets	(596,881)
Removal of reinsurance receivables and payables	2,362,743
Insurance & Intermediaries receivables and payables	(818,680)
Payables (trade, not insurance)	1,671,399
Net Deferred Tax Liabilities	(1,156,486)
Own Funds per Solvency II Valuation	7,475,833

## **E2 Solvency Capital Requirement and Minimum Capital Requirement**

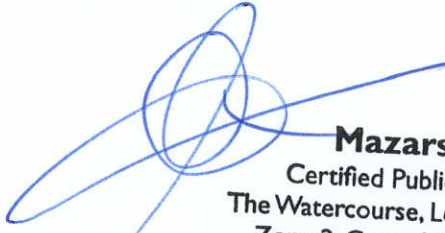
### **E2.1 MCR and SCR**

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

Own Funds per Solvency II Valuation	€7,475,833
Solvency Capital Requirement	€4,452,915
SCR Coverage	168%
Minimum Capital Requirement	€4,000,000
MCR Coverage	187%

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.

  
**Mazars Malta**  
Certified Public Accountants  
The Watercourse, Level 2, Mdina Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2010, Malta  
VAT: MT 1529 6002

## 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	210,564
Spread	132,706
Concentration	260,803
Currency	179,030
Property	40,445
Sub total	823,547
Less Diversification	372,583
<b>SCR Market risk</b>	<b>450,965</b>
SCR Counterparty Type 1	1,435,421
SCR Counterparty Type 2	12,914
Less Diversification	3,203
<b>SCR Counterparty</b>	<b>1,445,132</b>
SCR Non-Life Prem/Res Risk	2,960,906
SCR Non-Life Cat Risk	2,000,360
Sub total	4,961,266
Less Diversification	995,179
<b>SCR Non-life risk</b>	<b>3,966,087</b>
<b>Total</b>	<b>5,862,183</b>
Less Diversification	864,857
<b>BSCR</b>	<b>4,997,327</b>
<b>SCR Operational</b>	<b>612,074</b>
<b>Less Net DT Adjustment</b>	<b>1,156,486</b>
<b>SCR</b>	<b>4,452,915</b>
<b>MCR</b>	<b>4,000,000</b>

## E2.3 Simplifications

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



**Mazars Malta**  
Certified Public Accountants  
The Watercourse, Level 2, Mdina Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2010, Malta  
VAT: MT 1529 6002  
Tel: +356 213 45 760



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

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

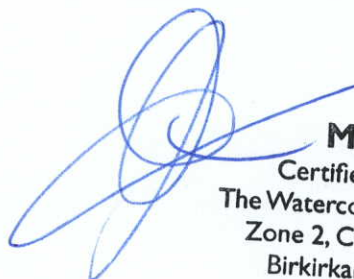
	<b>Net (of reinsurance) best estimate technical provisions</b>	<b>Net (of reinsurance) written premiums in the last 12 months</b>
	<b>€</b>	<b>€</b>
Motor	3,833	0
Fire and Other Damage to Property	1,175,220	4,564,090
General Liability	1,957,308	4,982,565
		<b>€</b>
Linear MCR		1,307,422
SCR		4,452,915
Combined MCR		1,307,422
Absolute Floor of the MCR		4,000,000
Minimum Capital Requirement		4,000,000

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

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

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

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

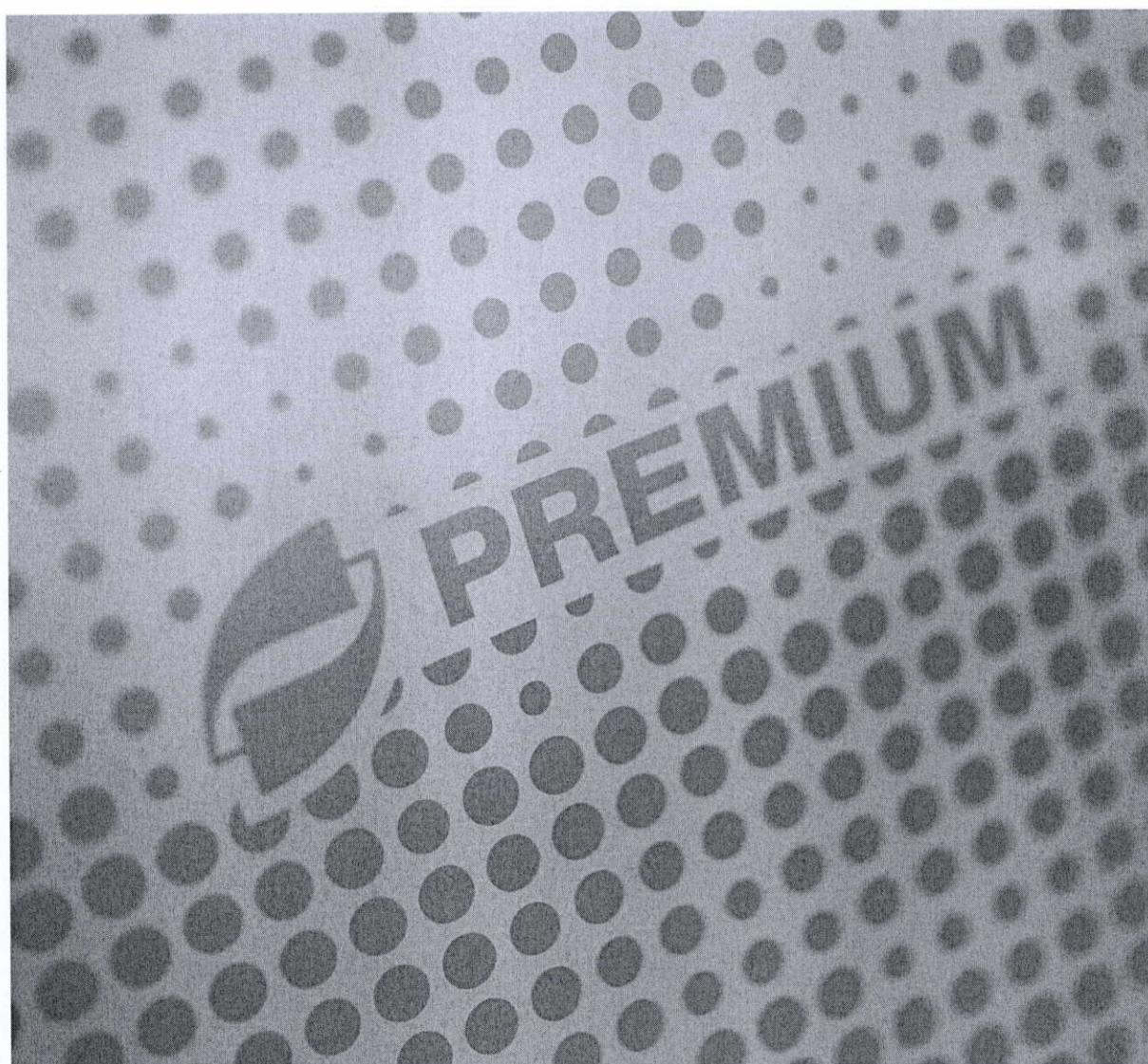


**Mazars Malta**  
Certified Public Accountants  
The Watercourse, Level 2, Mdina Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2010, Malta  
VAT: MT 1529 6002  
Tel: +356 213 45 760

## 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





## **G Conclusion**

As illustrated in this report, PREMIUM 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 increased inflation in the Slovak 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 4<sup>th</sup> April 2023

# H Appendices

Appendix A

Quantitative Reporting Templates



# PREMIUM Insurance Company Limited


## Appendix A

### Quantitative Reporting Templates

S.02.01.02

Balance sheet

		Solvency II value C0010
<b>Assets</b>		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Property, plant & equipment held for own use	R0060	161,780
Deferred Tax Asset	R0040	225,759
Government Bonds	R0140	1,564,150
Corporate Bonds	R0150	2,251,760
Reinsurance recoverables from:	R0270	6,026,434
Non-life and health similar to non-life	R0280	6,026,434
Receivables (trade, not insurance)	R0380	86,095
Cash and cash equivalents	R0410	8,990,657
Any other assets, not elsewhere shown	R0420	88,845
<b>Total assets</b>	<b>R0500</b>	<b>19,395,480</b>
<b>Liabilities</b>		
Technical provisions - non-life	R0510	9,812,265
Best Estimate	R0540	9,162,795
Risk margin	R0550	649,470
Payables (trade and taxes, not insurance)	R0840	580,493
Deferred tax liabilities	R0780	1,382,245
Any other liabilities, not elsewhere shown	R0880	144,645
<b>Total liabilities</b>	<b>R0900</b>	<b>11,919,647</b>
<b>Excess of assets over liabilities</b>	<b>R1000</b>	<b>7,475,833</b>


**Mazars Malta**  
 Certified Public Accountants  
 The Watercourse, Level 2, Mdina Road,  
 Zone 2, Central Business District,  
 Birkirkara – CBD 2010, Malta  
 VAT: MT 1529 6002  
 Tel: +356 213 45 760

## PREMIUM Insurance Company Limited

S.05.01.02

Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Total
	Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance		
	C0040	C0070	C0080	C0200	
<b>Premiums written</b>					
Gross - Direct Business	3,186	15,955,396	5,975,015	21,933,597	
Reinsurers' share	3,980	11,840,200	1,160,556	13,004,736	
Net	(794)	4,115,196	4,814,459	8,928,861	
<b>Premiums earned</b>					
Gross - Direct Business	3,933	13,699,324	5,543,404	19,246,661	
Reinsurers' share	4,727	10,419,500	1,115,977	11,540,204	
Net	(794)	3,279,824	4,427,427	7,706,457	
<b>Claims incurred</b>					
Gross - Direct Business	(49,443)	4,962,906	1,530,538	6,444,001	
Reinsurers' share	(61,883)	3,221,671	(129,783)	3,030,005	
Net	12,440	1,741,236	1,660,321	3,413,996	
<b>Expenses incurred</b>	1,050	2,609,036	2,079,920	4,690,006	
<b>Other expenses</b>				-	
<b>Total expenses</b>				5,391,551	



## PREMIUM Insurance Company Limited

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
<b>Premiums written</b>				
Gross - Direct Business	R0110	3,238,162	18,695,435	21,933,597
Reinsurers' share	R0140	2,110,505	10,894,231	13,004,736
Net	R0200	1,127,657	7,801,204	8,928,861
<b>Premiums earned</b>				
Gross - Direct Business	R0210	2,365,855	16,880,806	19,246,661
Reinsurers' share	R0240	1,421,260	10,118,944	11,540,204
Net	R0300	944,595	6,761,862	7,706,457
<b>Claims incurred</b>				
Gross - Direct Business	R0310	654,875	5,789,126	6,444,001
Reinsurers' share	R0340	158,896	2,871,110	3,030,005
Net	R0400	495,980	2,918,016	3,413,996
<b>Expenses incurred</b>	R0550	692,408	3,997,598	4,690,006
<b>Other expenses</b>	R1200			701,545
<b>Total expenses</b>	R1300			5,391,551

# PREMIUM Insurance Company Limited

S.17.01.02

**Non-Life Technical Provisions**  
Certified Public Accountants

**Mazars Malta**

The Watercourse, Level 2, Mdina Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2010, Malta  
VAT: MT 1529 6002  
Tel: +356 213 45 760

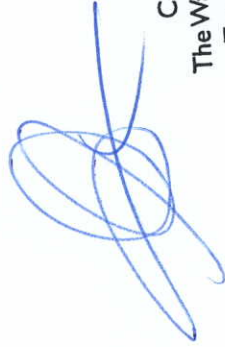


	Direct business and accepted proportional reinsurance			Total Non-Life obligation
	Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance	
	C0050	C0080	C0090	C0180
<b>Technical provisions calculated as a whole</b>	R0010	0	0	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	
<b>Technical provisions calculated as a sum of BE and RM</b>				
<b>Best estimate</b>				
<u>Premium provisions</u>				
Gross	R0060	213	-31,236	543,407
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	457	13,958	1,123,687
Net Best Estimate of Premium Provisions	R0150	-244	-45,194	-580,279
<u>Claims provisions</u>				
Gross	R0160	5,821	2,398,791	8,619,388
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,745	396,289	4,902,748
Net Best Estimate of Claims Provisions	R0250	4,077	2,002,502	3,716,640
<b>Total Best estimate - gross</b>	R0260	6,034	2,367,555	9,162,795
<b>Total Best estimate - net</b>	R0270	3,833	1,957,308	3,136,361
<b>Risk margin</b>	R0280	794	405,315	649,470
<b>Amount of the transitional on Technical Provisions</b>				
Technical Provisions calculated as a whole	R0290			
Best estimate	R0300			
Risk margin	R0310			



## PREMIUM Insurance Company Limited

<b>Technical provisions - total</b>					
Technical provisions - total	R0320	6,828	7,032,568	2,772,869	9,812,265
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	2,201	5,613,986	410,247	6,026,434
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	4,626	1,418,582	2,362,623	3,785,831



**Mazars Malta**

Certified Public Accountants  
 The Watercourse, Level 2, Mdina Road,  
 Zone 2, Central Business District,  
 Birkirkara – CBD 2010, Malta  
 VAT: MT 1529 6002  
 Tel: +356 213 45 760

# 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	-	-	-	83,447	-
N-6	R0190	-	-	240,627	15,232	-
N-5	R0200	-	-	269,553	51,221	1,521
N-4	R0210	-	303,351	230,279	116,652	140,624
N-3	R0220	-	783,995	278,087	-6,778	
N-2	R0230	541,838	1,532,210	965,131		
N-1	R0240	861,324	3,824,989			
N	R0250	1,103,579				

**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	-	83,447
N-6	R0190	-	255,860
N-5	R0200	-	322,295
N-4	R0210	140,624	790,905
N-3	R0220	(6,778)	1,055,304
N-2	R0230	965,131	3,039,179
N-1	R0240	3,824,989	4,686,313
N	R0250	1,103,579	1,103,579
Total	R0260	6,027,545	11,336,882



# 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	-	-	-	262,323
N-2	R0230	-	-	772,496	
N-1	R0240	-	2,469,053		
N	R0250	5,559,003			

**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	250,070
N-2	R0230	734,627
N-1	R0240	2,347,893
N	R0250	5,286,798
Total	R0260	8,619,388

# PREMIUM Insurance Company Limited

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted
		C0010	C0020
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>		X	X
Ordinary share capital (gross of own shares)	R0010	7,500,000	7,500,000
Reconciliation reserve	R0130	(3,424,167)	(3,424,167)
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	3,400,000	3,400,000
<b>Total basic own funds after deductions</b>	R0290	7,475,833	7,475,833
<b>Available and eligible own funds</b>		X	X
Total available own funds to meet the SCR	R0500	7,475,833	7,475,833
Total available own funds to meet the MCR	R0510	7,475,833	7,475,833
Total eligible own funds to meet the SCR	R0540	7,475,833	7,475,833
Total eligible own funds to meet the MCR	R0550	7,475,833	7,475,833
<b>SCR</b>	R0580	4,452,915	X
<b>MCR</b>	R0600	4,000,000	X
<b>Ratio of Eligible own funds to SCR</b>	R0620	168%	X
<b>Ratio of Eligible own funds to MCR</b>	R0640	187%	X

		C0060
<b>Reconciliation reserve</b>		X
Excess of assets over liabilities	R0700	7,475,833
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	
<b>Reconciliation reserve</b>	R0760	(3,424,167)
<b>Expected profits</b>		X
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	2,471,301
<b>Total Expected profits included in future premiums (EPIFP)</b>	R0790	2,471,301



**Mazars Malta**

Certified Public Accountants  
 The Watercourse, Level 2, Mdina Road,  
 Zone 2, Central Business District,  
 Birkirkara – CBD 2010, Malta  
 VAT: MT 1529 6002  
 Tel: +356 213 45 760



# PREMIUM Insurance Company Limited

S.25.01.21

Solvency Capital Requirement - for  
undertakings on Standard Formula

**M**

Certifier

The Watercourse, Level 2, Midana Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2010, Malta  
VAT: MT 1529 6002  
Tel: +356 213 45 760

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	450,965	
Counterparty default risk	R0020	1,445,132	
Life underwriting risk	R0030	-	
Health underwriting risk	R0040	-	
Non-life underwriting risk	R0050	3,966,087	
Diversification	R0060	864,857	
Intangible asset risk	R0070	-	
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	<b>4,997,327</b>	

## Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	612,074
Net Loss-absorbing capacity of deferred taxes	R0150	(1,156,486)
<b>Solvency Capital Requirement excluding capital add-on</b>	<b>R0200</b>	<b>4,452,915</b>
Solvency capital requirement	R0220	4,452,915

## Approach to tax rate

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

## Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Net LAC DT	R0640	(1,156,486)
Net LAC DT justified by reversion of deferred tax liabilities	R0650	(1,156,486)
Maximum LAC DT	R0690	(1,963,290)

# PREMIUM Insurance Company Limited

S.28.01.01

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

## Mazars Malta

Certified Public Accountants  
The Watercourse, Level 2, Mdina Road,  
Zone 2, Central Business District,  
Birkirkara – CBD 2010, Malta  
VAT: MT 1529 6002  
Tel: +356 213 45 760



### MCR components

		C0010
MCR <sub>NL</sub> Result	R0010	1,307,422

		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	3,833	-
Fire and other damage to property insurance and proportional reinsurance	R0080	1,175,220	4,564,090
General liability insurance and proportional reinsurance	R0090	1,957,308	4,982,565

		C0070
Linear MCR	R0300	1,307,422
SCR	R0310	4,452,915
MCR cap	R0320	2,003,812
MCR floor	R0330	1,113,229
Combined MCR	R0340	1,307,422
Absolute floor of the MCR	R0350	4,000,000
<b>Minimum Capital Requirement</b>	R0400	4,000,000



**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 2022

(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; 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.

Ref: 133/21343760  
www.mazars.com.mt

**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)**

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 2022 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**

Office address:

The Watercourse, Level 2,  
Mdina road, Zone 2, Central business district,  
Birkirkara CBD2010

4 April 2023