



**PREMIUM**  
**INSURANCE COMPANY**

**SOLVENCY AND FINANCIAL CONDITION REPORT**  
**FOR THE PERIOD ENDING 31 DECEMBER 2017**

# PREMIUM Insurance Company Limited

## Contents

A	Business and Performance.....	1
A1	Business Information .....	1
A2	Underwriting Performance .....	4
A3	Investment Performance .....	4
A4	Performance of other activities .....	5
A5	Any other information .....	5
B	Systems of Governance.....	6
B1	General Information .....	6
B2	Fit and proper requirements.....	9
B3	Risk management system including ORSA.....	10
B4	Internal control system.....	14
B5	Internal audit function .....	16
B6	Actuarial function.....	17
B7	Outsourcing.....	18
B8	Any other information .....	21
C	Risk Profile.....	22
C1	Underwriting risk .....	22
C2	Market risk .....	23
C3	Credit risk .....	24
C4	Liquidity risk.....	25
C6	Any other information .....	27
D	Valuation for Solvency Purposes .....	29
D1	Assets .....	29
D2	Technical provisions.....	31
D3	Other liabilities.....	34
D4	Any other information .....	35
E	Capital Management.....	36
E1	Own funds.....	36
E2	Solvency Capital Requirement and Minimum Capital Requirement .....	37
E3	Non-compliance with Minimum Capital Requirement or Solvency Capital Requirement .....	39
F	Templates.....	40

# PREMIUM Insurance Company Limited

## **A Business and Performance**

### **A1 Business Information**

#### ***A1.1 Company details***

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

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

Registered number 113705

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

#### ***A1.2 Supervisory authority***

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

#### ***A1.3 Auditor***

Deloitte Limited  
Merchant House  
22/24 John Mackintosh Square  
Gibraltar

#### ***A1.4 Ultimate Shareholders***

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

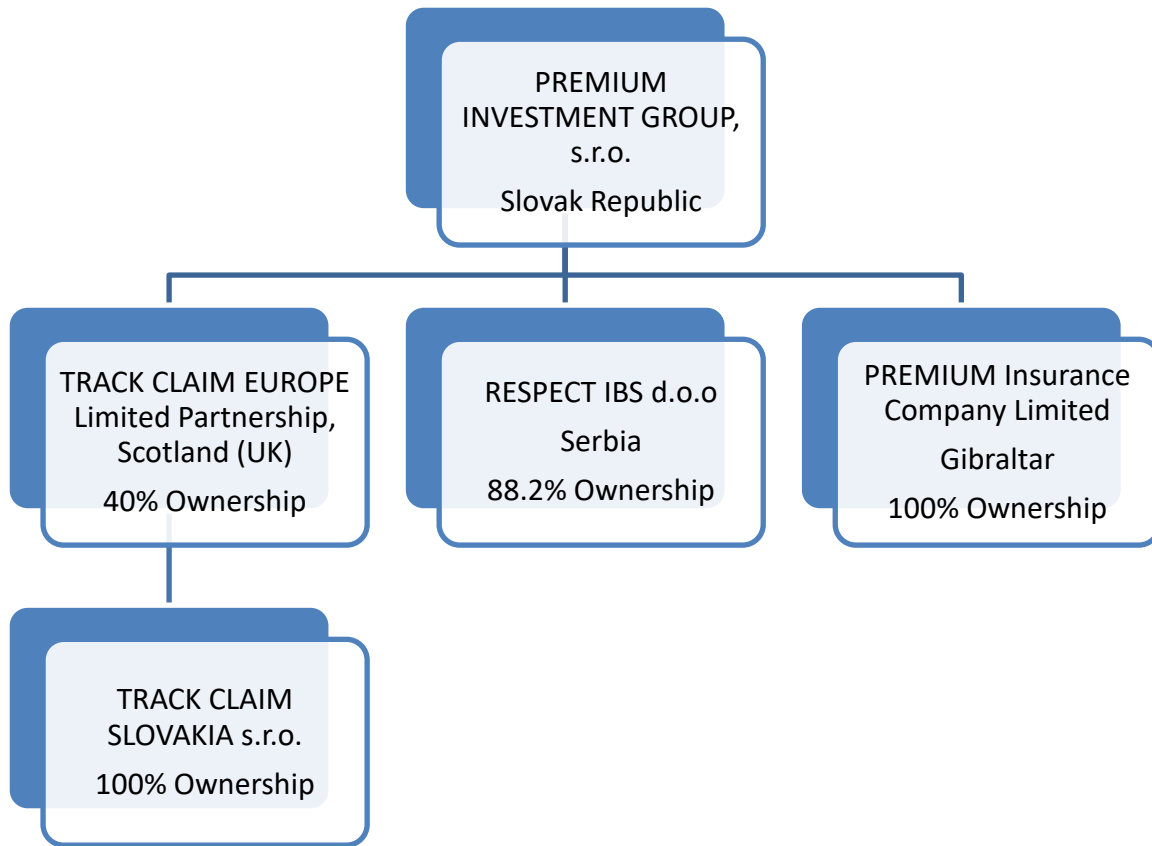
The address of the registered office of PIG is Šoltésovej 14,811.08 Bratislava, Slovak Republic.

Registered number 47436140

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

# PREMIUM Insurance Company Limited

## A1.5 Group Structure



PREMIUM outsources services to TRACK CLAIM SLOVAKIA s.r.o., a Slovak registered company under common ownership.

## A1.6

During the period, PREMIUM had five employees, one based in the Head Office in Gibraltar, and four employees based in the branch office in Bratislava. Total wages for 2017 was £262,980.

## A1.7 *Material lines of business and geographical areas:*

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

The Company is licensed to underwrite the following insurance classes:

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

# PREMIUM Insurance Company Limited

Gross written premium during the period ending December 2017 amounted to €1,989,428. Net (of reinsurance) written premium amounted to €119,695.

## ***A1.8 Significant business or other events***

### ***A1.8.1 Company incorporation and insurance licence***

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

### ***A1.8.2 Passporting rights***

On 23rd June 2016 the United Kingdom voted to withdraw from the European Union. The outcome of the negotiations over the separation terms remains uncertain.

The current European legislation enables PREMIUM to provide services across the European Economic Area. If passporting rights are withdrawn, as expected, following the United Kingdom's exit, PREMIUM would be unable to conduct its business from Gibraltar. The Directors keep developments under continuous review and are preparing plans for relocation of the Company should this be required in the future.

## ***A1.19 Objectives***

PREMIUM'S core strategy remains unchanged: to build a profitable Slovakian 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 will also be accepted if they contribute profit to the bottom line, or where writing them will enable PREMIUM to access other core business.

The company will continue to operate through a branch in Slovakia with distribution via a network of brokers, and outsourced claims and administration contracts.

# PREMIUM Insurance Company Limited

## A2 Underwriting Performance

PREMIUM started trading on 1 December 2016 and was therefore unable to offer terms to brokers in time to write January business, which is a major renewal season in Slovakia. This resulted in significantly less premium being written in 2017 compared to the original plan. Premium written, net of re-insurance, in the financial period amounted to €119,695.

	<b>2017</b>	<b>2017</b>
	<b>Fire and other damage to property €</b>	<b>General liability €</b>
Gross premiums written	1,125,958	863,470
Gross premiums earned	870,735	519,306
Reinsurance premium	1,101,958	767,775

Due to the low volume of cases written, and the past claims pattern of the insured entities, claims experience was in line with expectation with few claims reported, all for minor amounts.

### A2.1 Loss Ratios

Loss ratios used for planning purposes are as set out below.

<b>Business Line</b>	<b>Loss Ratio %</b>
Commercial Property	55
Industrial Property	35
Private Property	40
General Liability	40

Loss ratios used for planning purposes are based on historical experience by the principals behind PREMIUM, who have been writing this business as brokers for numerous years.

During the periods commencing after 31 December 2017, PREMIUM will mitigate its risk through a mixture of Quota Share, Surplus Treaty and Excess of Loss reinsurance.

## A3 Investment Performance

Plans to move capital into a diversified investment structure have been deferred and all funds remain as cash deposits. Until recently, these deposits incurred a negative interest charge, but they have now been moved to interest-bearing accounts.

# PREMIUM Insurance Company Limited

## **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 €579,100 and commission earned and recognised as income in the financial statements amounts to €377,733.

## **A5 Any other information**

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

# PREMIUM Insurance Company Limited

## **B Systems of Governance**

### **B1 General Information**

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

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

The Company recognises the importance of strong corporate governance and has established a well-defined governance framework 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 set the standards of conduct of the Company and provide direction and oversight and promote a culture of integrity within the business.

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

The current Directors are:

Mojmir Vedej	Chairman
Marek Benko	Director
Stephen Quinn	Director (Gibraltar resident)
Andrew Baker	Managing Director (Gibraltar resident)

#### ***B1.2 Board Committees***

As the company is at an early stage of its development, the Board has opted to delay delegating any duties to sub-committees, and has chosen to retain these responsibilities in the Board. These key responsibilities are outlined below, and the board keeps the need to establish such committees under constant review.

##### ***B1.2.1 Claims and Underwriting***

The Board 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.



# PREMIUM Insurance Company Limited

## ***B1.2.2 Investment***

As all capital is held in cash deposits, there is no need to convene an Investment Committee. The question of moving funds into a diversified investment portfolio is under constant review. If this move takes place, the Board will consider the need to constitute an Investment Committee.

## ***B1.2.3 Audit and Risk***

The Board has responsibility for:

- Developing, managing and monitoring internal and external audit strategy, ensuring the requirements of the business plan, risk appetite of the Company and any statutory or regulatory requirements are met.
- Managing and monitoring performance of PREMIUM's external auditors and the effectiveness of internal audit arrangements.
- Monitoring changes to accounting standards, financial regulation and legislation and identifying any potential impact to the Company.
- Ensuring the internal audit programme has been communicated as required within the Company and externally as required to regulatory authorities and other interested parties.
- 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.

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

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

- Risk Management
- Compliance
- Actuarial
- Internal Audit

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

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

The risk management function has been retained by the Board and is a standing agenda item for Board meetings.

# PREMIUM Insurance Company Limited

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

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

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

Being outsourced, the function is operationally independent from the other area of the business and, whilst it reports to the Board, the Board is not able to influence the function or to exert other inappropriate pressures.

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

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

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

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

PREMIUM engaged an Actuarial firm to provide an independent valuation of the 2017 year-end technical provisions and review of the internal underwriting and financial procedures. PREMIUM also commissioned external actuarial assistance for its annual Actuarial Function Holder report.

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

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

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

## ***B1.4 Material changes***

There have been no material changes to report for 2017.

# PREMIUM Insurance Company Limited

## ***B1.5 Remuneration policy and practices***

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

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

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

## ***B1.6 Material transactions***

### ***B1.6.1 Insurance manager***

During the period PREMIUM paid a fee of €188,511 to its insurance manager for the services provided. One of PREMIUM's directors is also a Director of the insurance manager, although he receives no remuneration from PREMIUM directly for this role. As at 31 December 2017, the balance due to insurance manager was €15,193.

### ***B1.6.2 Shareholders***

On 30 October 2017 PREMIUM received additional capital of €500,000 from PREMIUM Investment Group s.r.o. This additional capital was provided equally by the 4 shareholders and therefore did not alter the distribution of the shares.

## **B2 Fit and proper requirements**

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

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

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

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

### ***B2.2 Policies and Processes with regard to Fit Requirements***

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

# PREMIUM Insurance Company Limited

## ***B2.3 Policies and Processes with regard to Proper Requirements***

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

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 to report to the Board at least annually.

## **B3 Risk management system including ORSA**

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

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

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

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

PREMIUM categorises its risks as follows:

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

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

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

# PREMIUM Insurance Company Limited

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

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

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

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

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

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

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

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

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

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

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

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

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

<b>Risk Description</b>	<b>Risk Category</b>	<b>Comment</b>	<b>Residual Risk Rating</b>
Brexit	Reputational	The company would be unable to write business into Slovakia (its primary market) and would be unable to trade. Identifying alternative jurisdiction during 2018.	24

## PREMIUM Insurance Company Limited

Collapse of bank	Investment	The funds will be held with a limited number of well-rated banking counterparties. A proposal to invest up to 70% of cash funds in bespoke investment portfolio will be considered by the Board in mid-2018.	15
Inappropriate reinsurance strategy	Insurance (Underwriting)	Detailed business planning will determine optimum level of protection. Panel of A-Reinsurers and experienced R/I broker have been utilised.	15
Higher than expected claims frequency	Insurance (Reserving)	Careful monitoring of results and close involvement of the Board reduces the impact to manageable levels.	15
Higher than expected number of large claims	Insurance (Reserving)	Historical claims statistics, coupled with case underwriting and close monitoring of results, reduces impact.	12

Only the Brexit risk is assessed as “high” on the company’s risk matrix. Mitigating action will be taken during 2018 to reduce the risk to more acceptable levels but the Board accepts the risk exposure in the meantime.

### ***B3.2 Own risk and solvency assessment***

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

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

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

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

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

## PREMIUM Insurance Company Limited

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

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

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

The ORSA will be conducted as follows:

- Production of annual Business Plan or revision/reforecast of existing Business Plan;
- Forecast or reforecast of business for the 2 subsequent years;
- In the future, calculation from historical data for relevant patterns/assumptions;
- 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:

- PREMIUM's Governance Framework;
- Risk Register;
- Business Plan assumptions and projections;
- SCR model;
- Minutes of Board discussion;
- Formal ORSA report for management and for the GFSC.

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

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

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

# PREMIUM Insurance Company Limited

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

## **B4 Internal control system**

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

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

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

The internal control policy is targeted at ensuring that:

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

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

Internal controls are designed to:

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

Internal controls to mitigate risks are set out in the company's Risk Register. Such controls function to reduce the level of inherent risk to a level of residual risk consistent with the Board's risk appetite for that area. The Register is reviewed by the Board on at least a 6-monthly basis and this includes ongoing consideration of the appropriateness of the controls.

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

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.



# PREMIUM Insurance Company Limited

## **Detective**

To detect and correct undesirable events that have occurred.

The Internal Audit function will cover both high level and operational controls as part of its role.

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

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

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

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

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

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

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

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

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

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

During the period, Compliance function provided required assistance to the company in the following key areas.

- Compliance Monitoring Programme
- Maintenance of Conflict of Interest Register
- Monitoring of Gift and Hospitality Register
- Monitoring of Data Protection Register
- Maintenance of Breach Logs.
- Guidance on regulatory or legislative changes.

# PREMIUM Insurance Company Limited

## ***B4.3.4 Review of Compliance Policy***

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

## **B5 Internal audit function**

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

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

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

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

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

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

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

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

Internal Audit must be objective, impartial and independent and not subject to influence from the Board or management. Accordingly, as the company grows in size, PREMIUM will consider outsourcing the Internal Audit function to an appropriate accountancy firm with the required skill set and level of independence. The Board will keep this issue under continuous review.

# PREMIUM Insurance Company Limited

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

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

The internal audit plan will selectively cover areas including:

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

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

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

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

- Oversee the calculation of technical provisions
- Confirm appropriateness of methodologies and assumptions

# PREMIUM Insurance Company Limited

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

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

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

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

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

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

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

During the period, PREMIUM's in-house Actuarial function undertook the following activities:

- Reviewing the company's Underwriting Policy;
- Reviewing the company's Reinsurance arrangements.

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

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

## **B7 Outsourcing**

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

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

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

# PREMIUM Insurance Company Limited

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

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

PREMIUM’s Outsourcing Policy 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 on 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.
- Records of outsourced arrangements.
- The approval process.
- Contract and legal requirements.
- 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:

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

# PREMIUM Insurance Company Limited

## B7.3 Information on Outsourced Providers

Outsourced Provider	Outsourced Function or Activity	Authorisation, Capacity, Key Persons
<p>Artex Risk Solutions (Gibraltar) Limited</p>	<p>Accounting and financial support, assistance with risk management, compliance, company secretarial services</p>	<p>Licensed by the GFSC in Gibraltar to provide insurance management services.</p> <p>The team comprises persons with the necessary range of skills, knowledge and experience to provide the services.</p> <p>Key persons responsible for the services provided:                      Marcin Klugowski                      Liz Quinn                      Howard Shaw                      Steve Quinn</p>
<p>TRACK CLAIM SLOVAKIA s.r.o.</p>	<p>Provision of claims data to the insurers, market research, technical input to policy documentation, assistance with product development and statistical and financial information, claims handling (including setting of reserves and advising on settlement of claims).</p>	<p>Track Claim is a specialist claims handler with number of years of experience in this field.</p> <p>Team comprises persons with the necessary range of skills, knowledge and experience to provide the services.</p> <p>Key persons responsible for the services provided:                      Andrej Macko</p>
<p>PREMIUM's Branch</p>	<p>Policy administration and processing, assistance with underwriting and rating of business, maintenance of any broker and intermediary relationships, assistance with purchase of reinsurance programmes, product development, initial claim notification, market research.</p>	<p>Licensed by the GFSC in Gibraltar to provide insurance services.</p> <p>The team comprises persons with the necessary range of skills, knowledge and experience to provide the services.</p> <p>Key persons responsible for the services provided:                      Ondrej Zařko                      Lubomír Vatrta                      Pavel Legát                      Mojmír Vedej                      Jakub Pobjecký</p>

# PREMIUM Insurance Company Limited

## **B8 Any other information**

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

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

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

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

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

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

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

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

### ***B8.1 Any other Material Information***

PREMIUM's Corporate Governance Framework has been approved by the Board on 25 January 2017, and will be reviewed during Q1 2018.

# PREMIUM Insurance Company Limited

## C Risk Profile

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

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

PREMIUM's risk profile at 31 December 2017 is set out in the table below:

<b>Risk Category</b>	<b>% of SCR at 31 December 2017</b>
Underwriting risk	17%
Market Risk	0%
Counterparty (Credit) Risk	78%
Operational Risk	5%

### C1 Underwriting risk

#### C1.1 *Material Risks*

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

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

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

The following are the key underwriting risks identified by management:

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



# PREMIUM Insurance Company Limited

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

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

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

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

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

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

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

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

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

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

- Significant Deterioration in Loss Ratios
- Default of a Reinsurer
- Changes in run-off of existing reserves
- Exhaustion of XOL Cover, including all 3 full reinstatements, by series of Large Losses

## **C2 Market risk**

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

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

- Interest rate risk
- Spread risk
- Equity risk

# PREMIUM Insurance Company Limited

- Currency risk
- Property risk
- Concentration risk

During the reporting period, PREMIUM maintained all funds in cash deposits with the company's bankers. The company was not, therefore, exposed to any investment risk as outlined above.

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

Throughout the reporting period, all funds were kept as cash deposits with the company's bankers.

The company maintains accounts with NatWest Bank in Gibraltar and Slovenská Sporiteľňa, a.s. bank in Slovakia, both of which are highly regarded financial institutions. This reduces the company's exposure to any material market risk concentration.

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

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

The PREMIUM Board regularly reviews the issue of investing funds in a diversified investment portfolio to reduce the company's exposure to material market risk concentration.

## **C3 Credit risk**

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

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

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

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

During the reporting period, all company funds were kept as cash deposits with the company's bankers. PREMIUM transacts business with registered insurance intermediaries under market-wide Terms of Business Agreements. The company currently works with 17 intermediaries in Slovakia and 3 intermediaries in the Czech Republic.

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

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

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

# PREMIUM Insurance Company Limited

- Distribution through multiple brokers (although it is acknowledged that there is significant dependence on the largest brokers)
- Appropriate rating for reinsurance counterparties
- Use of an experienced reinsurance broker
- Carefully selected re-insurance counterparties
- 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, 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 Liquidity risk**

### ***C4.1 Material Risks***

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

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

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

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

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

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

The Company aims to ensure that it has sufficient liquid cash at all times. Liquidity risk will be 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 31 December 2017 is nil.

# PREMIUM Insurance Company Limited

## **C5 Operational Risk**

### **C5.1 Material Risks**

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

PREMIUM has identified the following key operational risks:

- A key service provider is unable to continue to provide the required services to PREMIUM
- Incomplete or inadequate management information
- Unreliable policy records
- Unreliable claims records
- Fraud - internal
- Fraud - external
- Breach of Data Protection Law
- System failure - hardware/software/3rd party
- Malicious acts - hacking/viruses/industrial espionage
- Unable to process invoices due to absence of appropriate signatories.
- Hard Brexit

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

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

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

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

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

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

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

The key controls are:

- Four-eyes processes for MI production and analysis (within the Branch Office in Slovakia)
- Detailed analysis and review of monthly MI
- Four-eyes processes for financial information
- Four-eyes processes for payments

# PREMIUM Insurance Company Limited

- Oversight, monitoring and audits of the claims handler
- Data integrity and other IT controls
- Disaster Recovery and Business Continuity plans

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

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

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

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

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

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

## **C6 Any other information**

### ***C6.1 Projected business level***

As PREMIUM is in the early stages of company development, it is therefore exposed to the possibility that the level of business projected to be written is not achieved, that the loss ratios are higher than projected or that other costs of the business are greater than expected.

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

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

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

# PREMIUM Insurance Company Limited

## ***C6.2 Standard Formula appropriateness***

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 Mazar's Horizon model, 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.

# PREMIUM Insurance Company Limited

## 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 2017, except for reinsurance technical provisions, are as set out in the table below:

	Solvency II value	Statutory accounts value
	€	€
Intangible assets	-	87,182
Property, plant & equipment held for own use	-	1,148
Cash and cash equivalents	4,908,726	4,908,726
Deferred acquisition costs	-	184,044
Insurance and intermediaries receivables	-	397,632
Reinsurance receivables	256,025	1,145,861
Receivables (trade, not insurance)	-	30,404
Any other assets, not elsewhere shown	-	9,518

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

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

#### ***D1.1 Intangible Assets***

At 31 December 2017, PREMIUM held an intangible asset valued at €87,182, representing software acquisition and development costs. For GAAP purposes, this asset has been valued on an amortised cost basis, and no significant estimate or judgement has been made.

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

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

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

At 31 December 2016, PREMIUM held tangible assets valued at €1,148, representing equipment acquisition costs less accumulated depreciation. For GAAP purposes, this asset has been valued on an amortised cost basis, and no significant estimate or judgement has been made.

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

# PREMIUM Insurance Company Limited

## ***D1.3 Cash and Cash Equivalents***

At the period end, PREMIUM held €4,908,726 either in term deposits, or in cash and cash equivalents with banking counterparties. All amounts are held in Euro (€) either in Gibraltar or the Slovak Republic.

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

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

## ***D1.4 Deferred Acquisition Costs***

Deferred acquisition costs represent commission and similar expenses directly related to the acquisition of policies, which are deferred over the period relating to the underlying unearned premiums. At 31 December 2017 deferred acquisition costs amounted to €184,044.

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

## ***D1.5 Insurance and Intermediaries Receivables***

Insurance and intermediaries receivable items represent premiums owed to PREMIUM from the co-insurance partner. At the year end, the Company was owed €397,632.

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

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

## ***D1.6 Receivables (not insurance)***

Other receivable consist of risk survey reimbursement due from reinsurer and unearned proportion of insurance levy payable, as at 31 December 2017 the amount due to PREMIUM was €30,404.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Provision for unearned proportion of insurance levy does not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet.

## ***C1.7 Any Other Assets***

Other assets represent prepayments and accrued income. At 31 December 2017 other assets amounted to €9,518.

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.



# PREMIUM Insurance Company Limited

## D2 Technical provisions

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

	Fire and other damage to property	General liability
	€	€
Gross Best Estimate Technical Provisions	603,707	341,628
Risk Margin	129,261	63,279
<b>Total Gross Technical Provisions</b>	<b>732,968</b>	<b>404,907</b>
Reinsurance Recoverables	140,940	115,085
<b>Net Technical Provisions</b>	<b>592,028</b>	<b>289,822</b>

### *D2.1 Bases, Methods and Assumptions*

#### *D2.1.1 Best Estimate*

The starting point for the valuation of technical provisions is the best estimate of claims costs, both on earned and on unearned exposure, for all business written at the valuation date. The best estimate loss ratios are derived by the independent actuary (Tools4F).

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

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

#### *D2.1.2 Expenses*

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

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

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

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

At 31 December 2017, management reached the conclusion that no provision for ENIDs was required.

# PREMIUM Insurance Company Limited

## ***D2.1.4 Bound but not Incepted***

Net technical provision in respect of BBNI at the end of December 2017 amounted to €38,029.

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

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

## ***D2.1.6 Risk Margin***

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

## ***D2.1.7 Allocation to Lines of Business***

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

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

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

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

## ***D2.1.9 Simplifications***

No simplifications were used.

## ***D2.2 Uncertainty***

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

- Outstanding reserves: Reserves on reported claims are based on reasonable estimates, reflecting information known at the balance sheet date. Ultimate settlement of these claims may differ from estimates.
- Future losses: Future losses arise on both expired and unexpired risks and the estimation of these losses is based on actuarial assumptions. Such assumptions will take account of past performance and known or anticipated future changes, and may ultimately prove to differ from actual experience.
- Other estimates: Technical provisions include assumptions as to expenses, events not in data and bound but not incepted risks. While these assumptions are prepared on a best estimate

# PREMIUM Insurance Company Limited

basis, reflecting historical experience where appropriate, they could ultimately prove to be inappropriate.

- Legislative and market factors: Changes in the future are difficult to predict, but could ultimately impact best estimates and future cash flow.

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

## ***D2.3 Differences between Solvency II and GAAP Valuation***

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

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

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

	<b>Gross Techni cal Reserv es €</b>	<b>Reinsur ance Recover ables €</b>	<b>Total €</b>
GAAP Reserves	1,269,080	1,145,861	123,219
Remove Unearned Premium net of future cancellations	(706,501)	(618,193)	(88,308)
Claims on Unexpired Risks	1,082,390	934,897	147,493
Receivables/Payables	(1,602,459)	(1,207,123)	(395,336)
Run-off Expenses and Other Adjustments	900,588	-	900,588
Effect of Discounting	2,237	583	1,654

## PREMIUM Insurance Company Limited

	192,54	-	192,5
Risk Margin	0		40
	1,137,	256,025	881,8
Solvency II Technical Provisions	875		50

### **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 changes in the assumptions made.

## **D3 Other liabilities**

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

The material classes of liabilities as at 31 December 2017 except for gross technical provisions are as set out in the table below:

Liabilities	Solvency II value	Statutory accounts value
	€	€
Reinsurance payables	-	437,534
Payables (trade, not insurance)	213,815	213,815
Insurance & intermediaries payables	-	224,382
Any other liabilities, not elsewhere shown	-	242,072

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

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

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

At 31 December 2017 PREMIUM had €437,534 of reinsurance payables, being payments due under the Facultative, Quota Share and Surplus Treaty arrangement. The amount due represents the reinsurer's shares of gross premium income net of any reinsurance commission. Settlements will be made following receipt of the corresponding premium income.

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

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

# PREMIUM Insurance Company Limited

## ***D3.2 Payables (trade, not insurance)***

Payables (trade, not insurance) relate to balances owed to suppliers for the goods sold and services provided during the period. These amounts are valued at fair value, being the actual amounts payable. Total payables (trade, not insurance) as at 31 December 2017 were €213,815.

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

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

## ***D3.3 Insurance & intermediaries payables***

At 31 December 2017 PREMIUM had €224,382 of Insurance and intermediaries payables, being broker commission and admin fees payable to the co-insurance partner.

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

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

## ***D3.4 Other liabilities***

PREMIUM receives commission from its reinsurance partners. This is earned in line with the underlying premium, and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2017, PREMIUM had a total of €242,072 of deferred commission.

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

## **D4 Any other information**

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

# PREMIUM Insurance Company Limited

## E Capital Management

### E1 Own funds

#### *E1.1 Management of Own Funds*

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

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

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

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

##### *E1.1.2 Time Horizon for Business Planning and Material Changes*

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

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

### *E1.2 Description of Own Funds*

#### *E1.2.1 Structure, Amount and Quality of own funds*

PREMIUM currently only has basic own funds and no ancillary own funds. Own funds are comprised entirely of Share Capital and the Reconciliation Reserve and therefore all qualify as Tier 1 funds. The table below set out PREMIUM's own funds at 31 December 2017 together with movements during the period:

	<b>Ordinary Share capital</b>	<b>Reconciliation Reserve</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
At 4 January 2017	5,000,000	(99,837)	4,900,163
Share capital injection	500,000	-	500,000
Loss for the financial period	-	(1,022,531)	(1,022,531)
At 31 December 2017	<u>5,500,000</u>	<u>1,122,368</u>	<u>4,377,632</u>

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

# PREMIUM Insurance Company Limited

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

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

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

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

	<b>Own Funds</b>
	<b>€</b>
Own Funds per Financial Statements	4,377,632
Difference in Valuation of net Technical Provisions	(494,347)
Removal of Deferred Acquisitions and Processing Costs	(184,044)
Removal of Prepayments	(39,922)
Removal of Deferred Commissions	(242,072)
Removal of intangible assets	(87,182)
Removal of fixed assets	(1148)
Own Funds per Solvency II Valuation	<u><u>3,813,061</u></u>

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

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

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

Own Funds per Financial Statements	€3,813,061
Solvency Capital Requirement	€1,584,499
SCR Coverage	2.41
Minimum Capital Requirement	€3,700,000
MCR Coverage	1.03

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

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

### ***E2.2 SCR by Risk Module***

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

#### **Capital Components**

# PREMIUM Insurance Company Limited

Capital Components	EUR
	<b>2017</b>
SCR Interest Rate	1,041
Sub total	1,041
<b>SCR Market risk</b>	<b>1,041</b>
SCR Counterparty Type 1	1,316,375
SCR Counterparty Type 2	25,988
Sub Total	1,342,362
Less Diversification	6,386
<b>SCR Counterparty</b>	<b>1,335,976</b>
SCR Non-Life Prem/Res Risk	191,526
SCR Non-Life Cat Risk	172,406
Sub total	363,932
Less Diversification	75,980
<b>SCR Non-life risk</b>	<b>287,952</b>
<b>Total</b>	<b>1,624,968</b>
Less Diversification	123,872
<b>BSCR</b>	<b>1,501,096</b>
<b>SCR Operational</b>	<b>83,402</b>
<b>SCR</b>	<b>1,584,499</b>
<b>MCR</b>	<b>3,700,000</b>

## E2.3 Simplifications

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

## E2.4 Inputs used to Calculate the MCR

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



## PREMIUM Insurance Company Limited

	Net (of reinsurance) best estimate technical provisions €	Net (of reinsurance) written premiums in the last 12 months €
Fire and Other Damage to Property	462,767	24,000
General Liability	226,543	97,336
		€
Linear MCR		81,385
SCR		1,584,499
Combined MCR		396,125
Absolute Floor of the MCR		3,700,000
Minimum Capital Requirement		3,700,000

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

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

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

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

# PREMIUM Insurance Company Limited

## F Templates

Balance sheet

S.02.01.01.01

### Assets

Deferred acquisition costs  
 Intangible assets  
 Property, plant & equipment held for own use  
 Reinsurance recoverables from:  
     Non-life and health similar to non-life  
         Non-life excluding health  
         Health similar to non-life  
 Insurance and intermediaries receivables  
 Receivables (trade, not insurance)  
 Cash and cash equivalents  
 Any other assets, not elsewhere shown

### Total assets

### Liabilities

Technical provisions – non-life  
     Technical provisions – non-life (excluding health)  
         Best Estimate  
         Risk margin  
 Insurance & intermediaries payables  
 Reinsurance payables  
 Payables (trade, not insurance)  
 Any other liabilities, not elsewhere shown

### Total liabilities

### Excess of assets over liabilities

Solvency II value	Statutory accounts value
C0010	C0020
	184,044
	87,182
0	1,148
256,025	1,145,861
256,025	1,145,861
256,025	1,145,861
0	
	397,632
	30,404
4,908,726	4,908,726
	9,518
5,164,751	6,764,515
Solvency II value	Statutory accounts value
C0010	C0020
1,137,875	1,269,080
1,137,875	1,269,080
945,335	
192,540	
	224,382
	437,534
213,815	213,815
	242,072
1,351,690	2,386,883
3,813,061	4,377,632

# PREMIUM Insurance Company Limited

Premium, claims and expenses by line of business

S.05.01.01.01

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		<b>Total</b>
	Fire and other damage to property insurance	General liability insurance	
	C0070	C0080	C0200
<b>Premiums written</b>			
Gross - Direct Business	1,125,958	863,471	1,989,428
Reinsurers' share	1,101,959	767,774	1,869,733
Net	23,999	95,697	119,695
<b>Premiums earned</b>			
Gross - Direct Business	870,734	519,307	1,390,042
Reinsurers' share	874,191	484,461	1,358,652
Net	-3,457	34,846	31,389
<b>Claims incurred</b>			
Gross - Direct Business	355,982	206,597	562,579
Reinsurers' share	338,866	188,801	527,668
Net	17,115	17,796	34,911
<b>Expenses incurred</b>	499,929	508,989	1,008,917
<b>Administrative expenses</b>			
<b>Acquisition expenses</b>			
Gross - Direct Business	221,777	53,215	274,991
Reinsurers' share			0
Net	221,777	53,215	274,991
<b>Overhead expenses</b>			
Gross - Direct Business	278,152	455,774	733,926
Reinsurers' share			0
Net	278,152	455,774	733,926
<b>Other expenses</b>			
<b>Total expenses</b>			1,008,917

# PREMIUM Insurance Company Limited

Non-life obligations for home country

S.05.02.01.01

	Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
	C0020	C0030	C0070
	SK	CZ	
	C0090	C0100	C0140
<b>Premiums written</b>			
Gross - Direct Business	1,636,886	352,542	1,989,428
Reinsurers' share	1,513,865	355,867	1,869,733
Net	123,020	-3,325	119,695
<b>Premiums earned</b>			
Gross - Direct Business	1,131,261	258,781	1,390,042
Reinsurers' share	1,091,631	267,023	1,358,653
Net	39,630	-8,242	31,388
<b>Claims incurred</b>			
Gross - Direct Business	464,691	97,887	562,579
Reinsurers' share	434,455	93,213	527,668
Net	30,237	4,674	34,911
<b>Expenses incurred</b>	830,129	178,788	1,008,917
<b>Other expenses</b>			
<b>Total expenses</b>			1,008,917

Non-Life Technical Provisions

# PREMIUM Insurance Company Limited

S.17.01.01

	Direct business and accepted proportional reinsurance		Total Non-Life obligation
	Fire and other damage to property insurance	General liability insurance	
	C0080	C0090	C0180
Gross - Total	162,110	113,155	275,265
Gross - direct business	162,110	113,155	275,265
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	-198,654	-74,618	-273,272
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	-198,654	-74,618	-273,272
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-198,839	-74,688	-273,527
<b>Net Best Estimate of Premium Provisions</b>	<b>360,949</b>	<b>187,843</b>	<b>548,792</b>
<b>Claims provisions</b>			
Gross - Total	441,597	228,473	670,070
Gross - direct business	441,597	228,473	670,070
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	339,871	189,824	529,696
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	339,871	189,824	529,696
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	339,779	189,773	529,552
<b>Net Best Estimate of Claims Provisions</b>	<b>101,818</b>	<b>38,700</b>	<b>140,518</b>
<b>Total Best estimate - gross</b>	<b>603,707</b>	<b>341,628</b>	<b>945,335</b>
<b>Total Best estimate - net</b>	<b>462,767</b>	<b>226,543</b>	<b>689,310</b>
<b>Risk margin</b>	<b>129,261</b>	<b>63,279</b>	<b>192,540</b>
Technical provisions - total	732,968	404,906	1,137,875
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	140,940	115,085	256,025
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	592,028	289,821	881,850
<b>Cash out-flows – best est. of premium</b>			
Future benefits and claims	930,206	154,726	1,084,932
Future expenses and other cash-out flows	725,028	71,342	796,370
<b>Cash in-flows – best est. of claims</b>			
Future premiums	1,493,124	112,913	1,606,038
<b>Cash out-flows</b>			

## PREMIUM Insurance Company Limited

Future benefits and claims	357,166	206,792	563,958
Future expenses and other cash-out flows	84,431	21,681	106,112

Own funds

# PREMIUM Insurance Company Limited

S.23.01.01

	<b>Total</b>	<b>Tier 1 - unrestricted</b>
	C0010	C0020
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>		
Ordinary share capital (gross of own shares)	5,500,000	5,500,000
Reconciliation reserve	-1,686,939	-1,686,939
<b>Total basic own funds after deductions</b>	3,813,061	3,813,061
<b>Available and eligible own funds</b>		
Total available own funds to meet the SCR	3,813,061	3,813,061
Total available own funds to meet the MCR	3,813,061	3,813,061
Total eligible own funds to meet the SCR	3,813,061	3,813,061
Total eligible own funds to meet the MCR	3,813,061	3,813,061
<b>SCR</b>	1,584,499	
<b>MCR</b>	3,700,000	
<b>Ratio of Eligible own funds to SCR</b>	2.4065	
<b>Ratio of Eligible own funds to MCR</b>	1.0306	
<b>Reconciliation reserve</b>	C0060	
Excess of assets over liabilities	3,813,061	-
Other basic own fund items	5,500,000	-
<b>Reconciliation reserve</b>	-1,686,939	-

# PREMIUM Insurance Company Limited

Solvency Capital Requirement - for undertakings  
on Standard Formula

S.25.01.01

	<b>Net solvency capital requirement</b>	<b>Gross solvency capital requirement</b>	<b>Allocation from adjustments due to RFF and Matching adjustments portfolios</b>
	C0030	C0040	C0050
Market risk	1,041	1,041	0
Counterparty default risk	1,335,976	1,335,976	0
Non-life underwriting risk	287,952	287,952	0
Diversification	-123,872	-123,872	-
<b>Basic Solvency Capital Requirement</b>	1,501,096	1,501,096	-

**Calculation of Solvency Capital Requirement**

	C0100
Operational risk	83,402
<b>Solvency Capital Requirement excluding capital add-on</b>	1,584,499
<b>Solvency capital requirement</b>	1,584,499
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	4 - No adjustment



# PREMIUM Insurance Company Limited

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

S.28.01.01

## Linear formula component for non-life insurance and reinsurance obligations

	C0010	
MCRNL Result	81	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Fire and other damage to property insurance and proportional reinsurance	463	24
General liability insurance and proportional reinsurance	227	97

### Overall MCR calculation

	C0070
Linear MCR	81
SCR	1,584
MCR cap	713
MCR floor	396
Combined MCR	396
Absolute floor of the MCR	3,700

### Minimum Capital Requirement

	C0070
	3,700