



PREMIUM
INSURANCE COMPANY

SOLVENCY AND FINANCIAL CONDITION REPORT
FOR THE PERIOD ENDING 31 DECEMBER 2018

PREMIUM Insurance Company Limited

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PREMIUM Insurance Company Limited

A Business and Performance

A1 Business Information

A1.1 Company Details

PREMIUM Insurance Company Limited
P.O. Box 1338
First Floor
Grand 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 per cent subsidiary of PREMIUM Investment Group s.r.o. (PIG) a Company registered in the Slovak Republic.

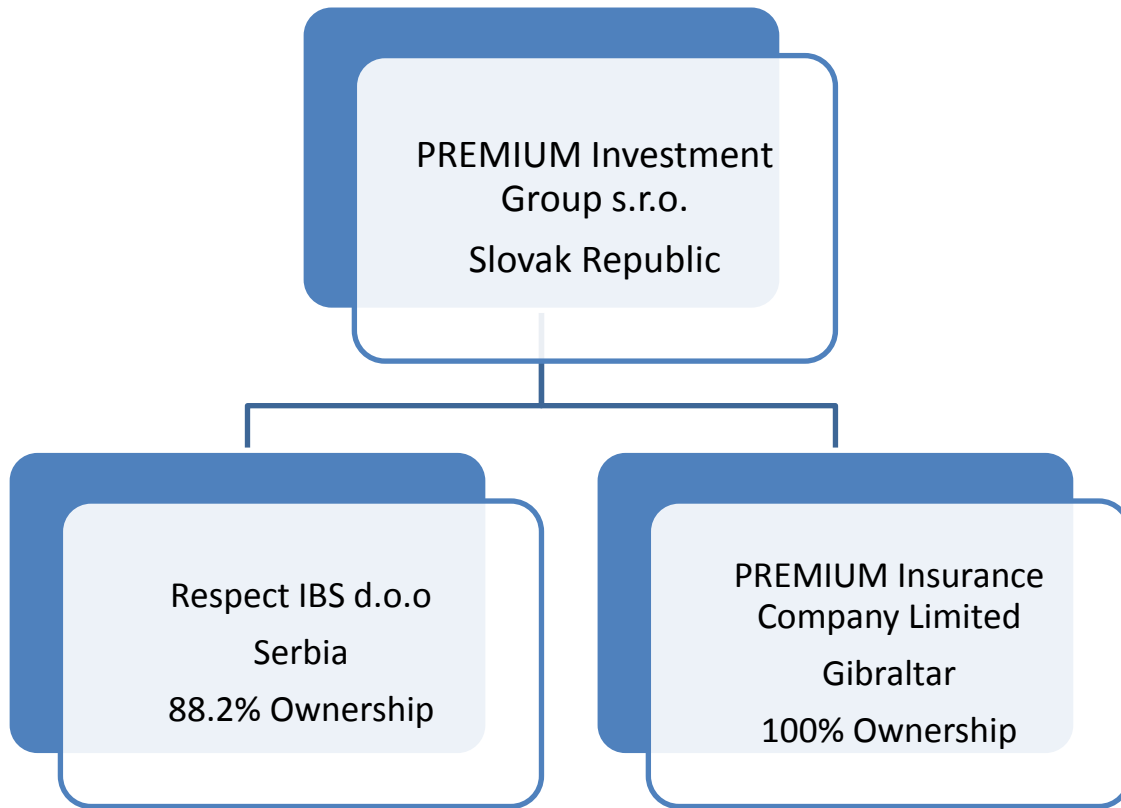
The address of the registered office of PIG is Soltesovej 14,811.08 Bratislava, Slovak Republic.

Registered number 47436140

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

PREMIUM Insurance Company Limited

A1.5 Group Structure



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 (re)insurance, contracts were concluded in both Gibraltar and the Slovak Republic.

The Company was originally licensed to underwrite the following (re)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

During 2018, PREMIUM secured additional licences for the following:

- Class 1 - Accident
- Class 2: - Sickness
- Class 4 - Railway Rolling Stock.

Gross written premium during the period ending December 2018 amounted to €6,967,384. Net (of reinsurance) written premium amounted to €858,163.

PREMIUM Insurance Company Limited

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 23 June 2016 the United Kingdom voted to withdraw from the European Union. At the time of writing this report, the final 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 have therefore taken the decision to re-domicile the company to Malta. A licence has been secured from the Maltese regulator, the Malta Financial Services Authority, and the company has registered with the Maltese Register of Companies from April 2019. PREMIUM Insurance Company Limited is a Maltese Insurance Company.

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

A1.19 Objectives

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

Whilst writing predominantly Industrial and Commercial Property and Commercial Liability business, other business lines have also been accepted if they contribute profit to the bottom line, or where writing them has enabled PREMIUM to access core business. This was the rationale behind applying for the additional licence classes which has broadened the company's appeal to its key intermediary partners.

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

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A2 Underwriting Performance

PREMIUM saw significant growth in its chosen markets and wrote Gross Premiums in line with the 3-year plan. Net Premiums were below anticipated levels due to the company's wish to protect its capital against too rapid expansion and 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.

	Motor vehicle liability	Fire and other damage to property	General liability
	€	€	€
Gross premiums written	<u>182,944</u>	<u>5,006,283</u>	<u>1,778,157</u>
Gross premiums earned	<u>160,592</u>	<u>3,341,448</u>	<u>1,633,324</u>
Reinsurance premium	<u><u>182,944</u></u>	<u><u>4,434,874</u></u>	<u><u>1,491,403</u></u>

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

A2.1 Loss Ratios

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

Business Line	Loss Ratio, %
Liability	40
MTPL	30
Commercial Property	40
Industrial Property	35
Household	25
Rail	45
Accident	30
SME	30

As PREMIUM has only been operating for two years, loss ratios used for planning purposes are based on the market averages and also the 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 2018, PREMIUM will continue to mitigate its risk through a mixture of Quota Share and Excess of Loss reinsurance.

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A3 Investment Performance

Plans to move capital into a diversified investment structure continue to be under review by the Board and all funds remain as cash deposits.

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 €2,456,824 and commission earned and recognised as income in the financial statements amounts to €1,901,726.

A5 Any Other Information

There are no other material matters regarding the Company's performance.

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B Systems of Governance

B1 General Information

B1.1 Structure of the Board and Committees

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

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

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

On moving to Malta, the Board will remain in place. An additional, locally resident, Director will be recruited, and the Managing Director, Andrew Baker, will re-locate to Malta

B1.2 Board Committees

As the company remains 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;

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- 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 Investment

As all capital is held in cash deposits, there is currently 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.

On moving to Malta, the company will re-allocate oversight responsibilities to reflect the appointment of an additional Director.

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B1.3.1 Risk Management

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

B1.3.2 Compliance

PREMIUM outsources compliance services to its insurance manager (Artex), with the function overseen by Andrew Baker. 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 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 areas 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 appropriate 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 2018 year-end technical provisions; a six-monthly review of claims IBNR provisions and a review of the internal underwriting and financial procedures. PREMIUM also has contracted with an external Actuarial Consultancy to provide assistance for the production of the 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.

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Once the company moves to Malta, the Internal Audit function will be outsourced to an appropriate professional service provider.

B1.4 Material Changes

There have been no material changes to report for 2018.

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. There is currently no Performance-Related Bonus Scheme in place and this issue is under annual review by the Board.

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 €206,389 to its insurance manager for the services provided. One of PREMIUM's directors is also a Director of the insurance manager, although he received no remuneration from PREMIUM directly for this role. As at 31 December 2018, the balance due to insurance manager was €15,816.

B1.6.2 Shareholders

During 2018, PREMIUM received additional capital of €2,000,000 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.

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B2.2 Policies and Processes with regard to Fit Requirements

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

B2.3 Policies and Processes with regard to Proper Requirements

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

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

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PREMIUM's aim is to ensure that the business is managed at all times in a risk-focused 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.

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 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 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 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.

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Risk Description	Risk Category	Comment	Residual Risk Rating
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
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.	18
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 has been taken and the company will be re-domiciled in Malta from March 2019. This will enable PREMIUM to continue to operate within the EU both on a Freedom Of Establishment and a Freedom of Services basis.

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. 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 take account of the Company’s and the Group’s material risks.

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

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

B3.2.2 ORSA Performance Documentation and Review

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

The ORSA is conducted as follows:

- Production of annual Business Plan or revision/forecast of existing Business Plan;
- Forecast or reforecast of business for the 2 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:

- 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

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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 management of the business.

The internal control policy is targeted at ensuring that:

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

B4.2 Key Internal Control Procedures

Internal controls are designed to:

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

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

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

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

Preventative

To prevent undesirable events from occurring.

Directive

To ensure a desired outcome.

Detective

To detect and correct undesirable events that have occurred.

The Internal Audit function will 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 for 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 on 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, the Compliance function provided required assistance to the company in the following key areas.

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

B4.3.4 Review of Compliance Policy

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

B5 Internal Audit Function

B5.1 Implementation of the Internal Audit Function

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

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

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

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

- Governance and business planning
- Underwriting and policy administration
- Claims handling and reserving
- Investment
- 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.

During 2018, PREMIUM carried out its own Internal Audits but this will change when the move to Malta is completed, and a professional firm will be engaged to provide Internal Audit services. This will ensure that Internal Audit will be totally objective, impartial and independent and not subject to influence from the Board or management.

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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 regarding insurance risks. This encompasses:

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

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

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

- Oversee the calculation of technical provisions
- Confirm appropriateness of methodologies and assumptions
- Validate methodologies and carry out back-testing against experience
- Ensure consistency, accuracy and reliability of data

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- 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 fulfil its role.

PREMIUM has appointed an external firm of Actuaries who are entirely independent from operational aspects of the business. An Actuarial Consultancy has also been engaged to provide further technical advice.

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 reports its findings to the Board at least annually, covering all areas for which it is responsible. The report, prepared in conjunction with the Actuarial Consultancy, assists the Board in its decision-making process and identifies to the Board, areas where improvements are required. The report also highlights any material uncertainty about data accuracy and explains the mitigating actions taken to correct such 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, specifically around data, the robustness of the capital calculation, and the Underwriting and Reinsurance policies. The use of an external actuary for reserving purposes, provides the required degree of independence.

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:

- Support PREMIUM's business strategy and key objectives

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- 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.

Significant Function	Jurisdiction
Compliance	Gibraltar
Company secretarial services	Gibraltar
External Actuarial	Gibraltar
Policy administration and processing (including provision of MI)	Slovak Republic
Claims handling, reserving and settlement	Slovak Republic
Finance	Gibraltar

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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:</p> <ul style="list-style-type: none"> • Marcin Klugowski • Morgan Peters • Steve Quinn
<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:</p> <ul style="list-style-type: none"> • Andrej Macko • Pavol Ondruška
<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:</p> <ul style="list-style-type: none"> • Ondrej Zatko • Lubomir Vatrta • Pavel Legat • Mojmir Vedej • Jakub Pobjecky

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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.

The Board carries out an assessment of its own effectiveness and that of the systems of governance on an annual basis. This takes 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 is carried out periodically 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 where felt appropriate.

B8.1 Any other Material Information

PREMIUM's Corporate Governance Framework for 2018 was approved at the Board meeting on 9 February 2018.

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C Risk Profile

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

PREMIUM's business focusses primarily on carefully selected elements of property insurance, with further diversification achieved through a small portfolio of related general liability business. During 2018, the company secured new licences for Accident; Sickness and Railway Rolling Stock business and also launched a Household policy, marketed selectively to target intermediaries. These developments will further assist the diversification of the portfolio but the prime focus on property business will remain.

PREMIUM's risk profile at 31 December 2018 is set out in the table below:

Risk Category	% of SCR at 31 December 2018
Underwriting risk	42%
Market Risk	0%
Counterparty (Credit) Risk	47%
Operational Risk	11%

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
- 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

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C1.2 Material Risk Concentrations

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

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

C1.3 Risk Mitigations

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

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

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

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

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:

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

C2 Market Risk

C2.1 Material Risks

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

- Interest rate risk

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- Spread risk
- Equity risk
- 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 Slovenska 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. At the end of 2018, the company had agreements in place with 70 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 inceptioned 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:

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

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

C3.4 Stress and Sensitivity Testing

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

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

C4 Liquidity Risk

C4.1 Material Risks

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

The Company is exposed to liquidity risk arising from insurance placed with co-insurers and 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.

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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 2018 is nil.

C5 Operational Risk

Based on the forecasts submitted to the GFSC in November 2018, the company is expecting to report pre-tax results of €(230,513) over the business planning period.

C5.1 Material Risks

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

PREMIUM has identified the following key operational risks:

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

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

C5.3 Risk Mitigations

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

The key controls are:

- Four-eyes processes for MI production and analysis (within the Branch Office in Slovakia)
- Detailed analysis and review of monthly MI
- Four-eyes processes for financial information
- Four-eyes processes for payments
- Oversight, monitoring and audits of the claim 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 specifically considers 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

As PREMIUM remains 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.

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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.

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 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.

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D Valuation for Solvency Purposes

D1 Assets

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

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

	Solvency II value €	Statutory accounts value €
Intangible assets	-	112,582
Property, plant & equipment held for own use	-	618
Cash and cash equivalents	6,786,849	6,786,849
Deferred acquisition costs	-	705,498
Insurance and intermediaries receivables	-	1,476,479
Reinsurance receivables	116,869	2,693,664
Receivables (trade, not insurance)	-	225,561
Any other assets, not elsewhere shown	-	44,350

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 2018, PREMIUM held an intangible asset valued at €112,582, 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 2018, PREMIUM held tangible assets valued at €618, 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.

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D1.3 Cash and Cash Equivalents

At the period end, PREMIUM held €6,786,849 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 2018 deferred acquisition costs amounted to €705,498.

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 €1,476,479.

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

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

D1.6 Receivables (not insurance)

Other receivable amounts consist of commission payable as part of a re-insurance agreement, as at 31 December 2018 the amount due to PREMIUM was €225,561.

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

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

C1.7 Any Other Assets

Other assets represent prepayments and accrued income. At 31 December 2018 other assets amounted to €44,350.

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

D2 Technical provisions

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

	Motor €	Fire and other damage to property €	General liability €
Best Estimate Technical Provisions	113,055	1,385,218	177,563
Risk Margin	8,706	114,752	38,712
Total Gross Technical Provisions	121,761	1,499,970	216,275
Reinsurance Recoverables	29,374	281,981	(194,487)
Net Technical Provisions	92,387	1,217,988	410,762

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).

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.

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.

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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 2018, management reached the conclusion that no provision for ENIDs was required.

D2.1.4 Bound but not Incepted

At 31 December 2018, PREMIUM did not make a provision for bound but not incepted risks, as these were not considered to be necessary.

D2.1.5 Discounting

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

D2.1.6 Risk Margin

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

D2.1.7 Allocation to Lines of Business

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

D2.1.8 Reinsurance Recoverables

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

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

D2.1.9 Simplifications

No simplifications were used.

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D2.2 Uncertainty

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

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

PREMIUM 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.

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	Gross Technical Reserves	Reinsurance Recoverables	Total
	€	€	€
GAAP Reserves	3,256,703	2,693,664	563,039
Remove Unearned Premium net of future cancellations	(2,538,521)	(2,079,648)	(458,873)
Claims on Unexpired Risks	1,113,945	901,563	212,382
Receivables/Payables	(654,778)	(1,401,097)	746,319
Run-off Expenses and Other Adjustments	492,173	-	492,173
Effect of Discounting	6,315	2,386	3,929
Risk Margin	162,170	-	162,170
Solvency II Technical Provisions	1,838,006	116,869	1,721,138

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 2018 except for gross technical provisions are as set out in the table below:

	Solvency II value	Statutory accounts value
	€	€
Reinsurance payables	-	1,401,097
Payables (trade, not insurance)	351,043	351,043
Insurance & intermediaries payables	-	821,701
Any other liabilities, not elsewhere shown	-	828,487

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

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

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D3.1 Reinsurance Payables

At 31 December 2018 PREMIUM had €1,401,097 of reinsurance payables, being payments due under the Facultative Quota Share arrangement. The amount due represents the reinsurer's shares of gross premium income. Settlements will be made following receipt of the corresponding premium income.

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

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

D3.2 Payables (trade, not insurance)

Payables (trade, not insurance) relate to balances owed to suppliers for the goods sold and services provided during the period. These amounts are valued at fair value, being the actual amounts payable. Total payables (trade, not insurance) as at 31 December 2018 were €351,043.

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 2018 PREMIUM had €821,701 of Insurance and intermediaries payables, being broker commission payable to the co-insurance partner.

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

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

D3.3 Other liabilities

PREMIUM receives commission from its reinsurance partners. This is earned in line with the underlying premium, and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2018, PREMIUM had a total of €828,487 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 2018, together with movements during the period:

	Ordinary Share capital	Reconciliation Reserve	Total
	€	€	€
At 1 January 2018	5,500,000	(1,122,368)	4,377,632
Share capital injection	2,000,000	-	2,000,000
Loss for the financial period	-	(991,062)	(991,062)
At 31 December 2018	<u>7,500,000</u>	<u>(2,113,430)</u>	<u>5,386,570</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:

	Own Funds
	€
Own Funds per Financial Statements	5,386,570
Difference in Valuation of net Technical Provisions	(411,781)
Removal of Deferred Acquisitions and Processing Costs	(705,498)
Removal of Prepayments	(269,911)
Removal of Deferred Commissions	828,487
Removal of intangible assets	(112,582)
Removal of fixed assets	(618)
Own Funds per Solvency II Valuation	<u><u>4,714,667</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	4,714,667
Solvency Capital Requirement	2,271,641
SCR Coverage	208%
Minimum Capital Requirement	3,700,000
MCR Coverage	127%

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.

PREMIUM Insurance Company Limited

Capital Components	2018 €
SCR Interest Rate	2,469
SCR Market risk	2,469
SCR Counterparty Type 1	1,224,195
SCR Counterparty	1,224,195
SCR Non-Life Prem/Res Risk	290,529
SCR Non-Life Cat Risk	989,633
Sub total	1,280,161
Less Diversification	181,281
SCR Non-life risk	1,098,880
Total	2,325,544
Less Diversification	312,013
BSCR	2,013,531
SCR Operational	258,080
SCR	2,271,612
MCR	3,700,000

E2.3 Simplifications

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

PREMIUM Insurance Company Limited

E2.4 Inputs used to Calculate the MCR

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

	Net (of reinsurance) best estimate technical provisions	Net (of reinsurance) written premiums in the last 12 months
	€	€
Motor	83,681	-
Fire and Other Damage to Property	1,103,237	595,408
General Liability	372,050	384,092
		€
Linear MCR		244,110
SCR		2,271,612
Combined MCR		567,903
Absolute Floor of the MCR		3,700,000
Minimum Capital Requirement		3,700,000

E.2.5 Changes over the Period

There have been no changes in the assumptions made.

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

P.02.01.02 - Balance sheet

Assets

Solvency II value	
C0010	
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	0
Investments (other than assets held for index-linked and unit-linked contracts)	0
Property (other than for own use)	0
Holdings in related undertakings, including participations	0
Equities	0
Equities - listed	0
Equities - unlisted	0
Bonds	0
Government Bonds	0
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	0
Derivatives	0
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	0
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	0
Reinsurance recoverables from:	117
Non-life and health similar to non-life	117
Non-life excluding health	117
Health similar to non-life	0
Life and health similar to life, excluding health and index-linked and unit-linked	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	0
Deposits to cedants	0
Insurance and intermediaries receivables	0
Reinsurance receivables	0
Receivables (trade, not insurance)	0
Own shares (held directly)	0

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Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	6,787
Any other assets, not elsewhere shown	0
Total assets	6,904
	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	1,838
Technical provisions – non-life (excluding health)	1,838
TP calculated as a whole	0
Best Estimate	1,676
Risk margin	162
Technical provisions - health (similar to non-life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - life (excluding index-linked and unit-linked)	0
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – index-linked and unit-linked	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Contingent liabilities	0
Provisions other than technical provisions	0
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	0
Derivatives	0
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	0
Insurance & intermediaries payables	0
Reinsurance payables	0
Payables (trade, not insurance)	351
Subordinated liabilities	0
Subordinated liabilities not in Basic Own Funds	0
Subordinated liabilities in Basic Own Funds	0
Any other liabilities, not elsewhere shown	0
Total liabilities	2,189

PREMIUM Insurance Company Limited

Excess of assets over liabilities				4,715
P.05.01.02.01 - Premiums, claims and expenses by line of business - Table 1	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Total
	Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance	
	C0040	C0070	C0080	C0200
Premiums written				
Gross - Direct Business	30	5,006	1,778	6,814
Gross - Proportional reinsurance accepted	153	0	0	153
Gross - Non-proportional reinsurance accepted	-	-	-	0
Reinsurers' share	183	4,435	1,491	6,109
Net	0	571	287	858
Premiums earned				
Gross - Direct Business	8	3,341	1,633	4,982
Gross - Proportional reinsurance accepted	153	0	0	153
Gross - Non-proportional reinsurance accepted	-	-	-	0
Reinsurers' share	161	3,075	1,412	4,648
Net	0	266	222	488
Claims incurred				
Gross - Direct Business	1	523	-60	464
Gross - Proportional reinsurance accepted	50	0	0	50
Gross - Non-proportional reinsurance accepted	-	-	-	0
Reinsurers' share	51	388	-82	356
Net	0	136	22	158
Changes in other technical provisions				-
Gross - Direct Business	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0
Gross - Non- proportional reinsurance accepted	-	-	-	0
Reinsurers' share	0	0	0	0
Net	0	0	0	0
Expenses incurred	53	911	357	1,321
Other expenses				0
Total expenses				1,321

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P.05.02.01 - Premiums, claims and expenses by country

	Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
	C0020	C0030	C0070
	CZ	SK	
	C0090	C0100	C0140
Premiums written			
Gross - Direct Business	425	6,389	6,814
Gross - Proportional reinsurance accepted	0	153	153
Gross - Non-proportional reinsurance accepted	0	0	0
Reinsurers' share	410	5,699	6,109
Net	15	843	858
Premiums earned			
Gross - Direct Business	387	4,595	4,982
Gross - Proportional reinsurance accepted	0	153	153
Gross - Non-proportional reinsurance accepted	0	0	0
Reinsurers' share	385	4,263	4,648
Net	2	485	488
Claims incurred			
Gross - Direct Business	-70	533	463
Gross - Proportional reinsurance accepted	0	51	51
Gross - Non-proportional reinsurance accepted	0	0	0
Reinsurers' share	-71	428	356
Net	1	156	157
Changes in other technical provisions			
Gross - Direct Business	0	0	0
Gross - Proportional reinsurance accepted	0	0	0
Gross - Non- proportional reinsurance accepted	0	0	0
Reinsurers' share	0	0	0
Net	0	0	0
Expenses incurred	-4	1,325	1,321
Other expenses			0
Total expenses			1,321

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P.17.01.02 - Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance			Total Non-Life obligation
	Motor vehicle liability insurance	Fire and other damage to property insurance	General liability insurance	
Technical provisions calculated as a whole	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	2	674	63	738
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-22	-227	-262	-511
Net Best Estimate of Premium Provisions	24	901	325	1,249
Claims provisions				
Gross	111	712	115	938
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	52	509	67	628
Net Best Estimate of Claims Provisions	60	202	47	310
Total Best estimate - gross	113	1,385	178	1,676
Total Best estimate - net	84	1,103	372	1,559
Risk margin	9	115	39	162
Amount of the transitional on TP				
Technical Provisions calculated as a whole	0	0	0	0
Best estimate	0	0	0	0
Risk margin	0	0	0	0
Technical provisions - total				
Technical provisions - total	122	1,500	216	1,838
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	29	282	-194	117
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	92	1,218	411	1,721

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P.19.01.21 - Non-life Insurance Claims Information (simplified template for the public disclosure)

Gross Claims Paid (non-cumulative) (absolute amount)

Year	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10+		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		
Prior											0	0	0
N-9	0	0	0	0	0	0	0	0	0	0		0	0
N-8	0	0	0	0	0	0	0	0	0			0	0
N-7	0	0	0	0	0	0	0	0				0	0
N-6	0	0	0	0	0	0	0					0	0
N-5	0	0	0	0	0	0						0	0
N-4	0	0	0	0	0							0	0
N-3	0	0	0	0								0	0
N-2	0	0	0									0	0
N-1	0	22										22	22
N	336											336	336
Total												358	358

PREMIUM Insurance Company Limited

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior											0	0
N-9	0	0	0	0	0	0	0	0	0	0		0
N-8	0	0	0	0	0	0	0	0	0			0
N-7	0	0	0	0	0	0	0	0				0
N-6	0	0	0	0	0	0	0					0
N-5	0	0	0	0	0	0						0
N-4	0	0	0	0	0							0
N-3	0	0	0	0								0
N-2	0	0	0									0
N-1	668	0										0
N	935											938
Total												938

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P.23.01.01 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	7,500	7,500		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	-2,785	-2,785			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	4,715	4,715	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	

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Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	0			0	0
Available and eligible own funds					
Total available own funds to meet the SCR	4,715	4,715	0	0	0
Total available own funds to meet the MCR	4,715	4,715	0	0	
Total eligible own funds to meet the SCR	4,715	4,715	0	0	0
Total eligible own funds to meet the MCR	4,715	4,715	0	0	
SCR	2,272				
MCR	3,700				
Ratio of Eligible own funds to SCR	2.0755				
Ratio of Eligible own funds to MCR	1.2742				

Reconciliation reserve

Excess of assets over liabilities	4,715	-			
Own shares (held directly and indirectly)	0	-			
Foreseeable dividends, distributions and charges	0	-			
Other basic own fund items	7,500	-			
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0	-			
Reconciliation reserve	-2,785	-			
Expected profits		-			

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Expected profits included in future premiums (EPIFP) - Life business
 Expected profits included in future premiums (EPIFP) - Non- life business
Total Expected profits included in future premiums (EPIFP)

0	-			
0	-			
0	-			

PREMIUM Insurance Company Limited

P.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

Market risk
 Counterparty default risk
 Life underwriting risk
 Health underwriting risk
 Non-life underwriting risk
 Diversification
 Intangible asset risk
Basic Solvency Capital Requirement

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
2	-	
1,224	-	-
0		
0		
1,099		
-312	-	-
0	-	-
2,014	-	-

Calculation of Solvency Capital Requirement

Operational risk
 Loss-absorbing capacity of technical provisions
 Loss-absorbing capacity of deferred taxes
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

C0100
258
0
0
0
2,272
0
2,272
-
0
0
0
0
0

Solvency capital requirement excluding capital add-on

Capital add-on already set
Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module
 Total amount of Notional Solvency Capital Requirement for remaining part
 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
 Diversification effects due to RFF nSCR aggregation for article 304

PREMIUM Insurance Company Limited

P.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

MCRNL Result	C0010	Net (of reinsurance/SPV best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	244		
Medical expenses insurance and proportional reinsurance		0	0
Income protection insurance and proportional reinsurance		0	0
Workers' compensation insurance and proportional reinsurance		0	0
Motor vehicle liability insurance and proportional reinsurance		84	0
Other motor insurance and proportional reinsurance		0	0
Marine, aviation and transport insurance and proportional reinsurance		0	0
Fire and other damage to property insurance and proportional reinsurance		1,103	595
General liability insurance and proportional reinsurance		372	384
Credit and suretyship insurance and proportional reinsurance		0	0
Legal expenses insurance and proportional reinsurance		0	0
Assistance and proportional reinsurance		0	0
Miscellaneous financial loss insurance and proportional reinsurance		0	0
Non-proportional health reinsurance		0	0
Non-proportional casualty reinsurance		0	0
Non-proportional marine, aviation and transport reinsurance		0	0
Non-proportional property reinsurance		0	0

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Linear formula component for life insurance and reinsurance obligations

	C0040		
MCRL Result	0	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits		0	
Obligations with profit participation - future discretionary benefits		0	
Index-linked and unit-linked insurance obligations		0	
Other life (re)insurance and health (re)insurance obligations		0	
Total capital at risk for all life (re)insurance obligations			0

Overall MCR calculation

	C0070
Linear MCR	244
SCR	2,272
MCR cap	1,022
MCR floor	568
Combined MCR	568
Absolute floor of the MCR	3,700

	C0070
Minimum Capital Requirement	3,700