

SOLVENCY  
AND FINANCIAL  
CONDITION REPORT (SFCR)  
**2020**

**Fortegra Europe  
Insurance Company  
Limited**

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## **INTRODUCTION**

This report is the Solvency and Financial Condition Report (SFCR) of Fortegra Europe Insurance Company Limited, for the reporting period ended December 31, 2020, pursuant to Articles 51, 53, 54, 256 and 256a of the Solvency II Directive 2009/138/EC, as amended and Articles 290 to 298 and 359 to 364 of Delegated Regulation (EU) 2015/35, as amended. The report has been prepared in accordance with the Solvency II Regulations governing insurance company reporting, and is solely intended to fulfil the requirements thereof.

Pursuant to Article 51 of the Directive, certain information provided in this report is incorporated by reference to the Annual Report. There are, however, certain specific SFCR requirements which are not already reported publicly elsewhere, and those are specifically included in this report. In particular, this report includes reporting of the Solvency II valuation undertaken at December 31, 2020. Those results are also presented in the Quantitative Reporting Templates (QRTs).

## **Presentation of information**

In this report, unless provided otherwise, the “Company”, refers to Fortegra Europe Insurance Company Limited, organised under the laws of Malta. The Company’s registration number is C84703.

The Company’s financial statements and related notes are prepared in accordance with International Financial Reporting Standards (IFRS) and published in United States Dollar (“USD” or “\$”). Unless otherwise stated, all amounts in this report are expressed in USD. Amounts may have been rounded. Rounding differences may exist, including for percentages.

## **Cautionary statement regarding forward looking statements**

This report may include statements with respect to future events, trends, plans, expectations or objectives and other forward-looking statements relating to the Company’s future business, financial condition, results of operations, performance, and strategy. Forward-looking statements are not statements of historical fact and may contain the terms “may”, “will”, “should”, “continue”, “aims”, “estimates”, “projects”, or words of similar meaning. Such statements are based on Management’s current views and assumptions and, by nature, involve known and unknown risks and uncertainties’ therefore undue reliance should not be placed on them. Actual financial condition, results of operations, performance or events may differ materially from those expressed or implied in such forward-looking statements, due to a number of factors, including, but not limited to, general economic and political conditions and competitive situation, future financial market performance and conditions, including fluctuations in exchange and interest rates; frequency and severity of insured loss events, and increases in

loss expenses; changes in laws, regulations and standards; the impact of acquisitions and disposals, including related integration issues, and reorganisation measures; and general competitive factors, in each case on a local and/ or global basis. Many of these factors may be more likely to occur, or more pronounced, as result of catastrophic events, or terrorist-related incidents.

## **EXECUTIVE SUMMARY**

Pursuant to the Solvency II Regulations, the following is a summary overview of each of the sections required in the report. Please refer to each of those sections in their entirety, including in each case the materials incorporated by reference therein.

### **A. Business and performance (Section A)**

The Company was formed at the beginning of 2018 with primary activities being underwriting of non-life insurance. It accepts risks on the following Solvency II lines of business:

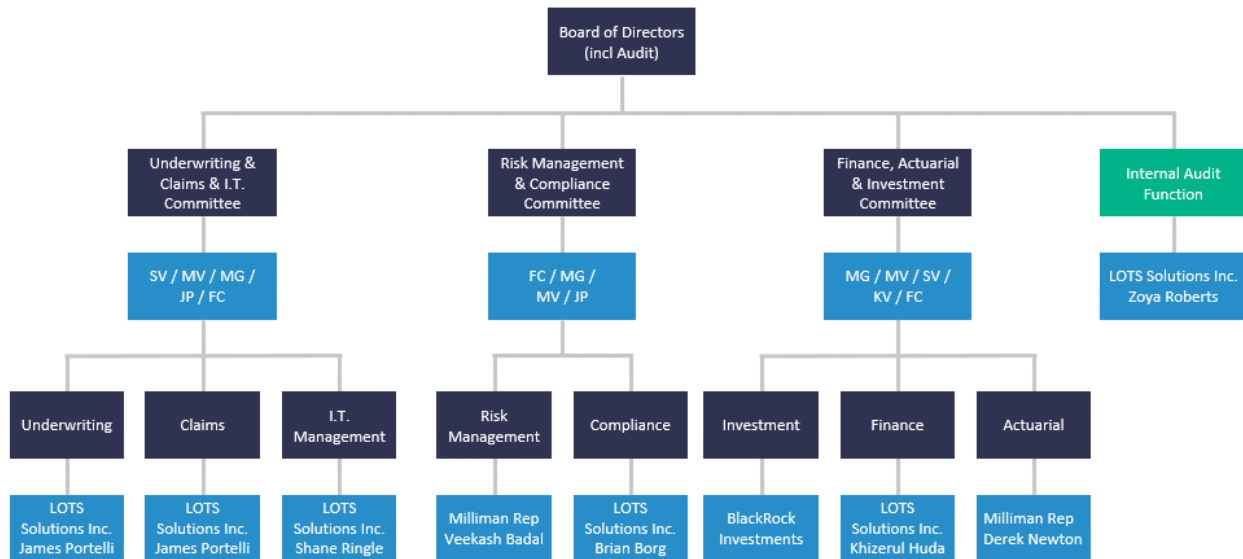
- Other motor insurance;
- Fire and other damage to property insurance;
- Miscellaneous financial loss.
- Assistance

The Company is a wholly-owned subsidiary of Fortegra Europe Holdings Limited, with Fortegra Financial Corporation serving as the parent company.

The Company transacted the first insurance business in November 2018. For the year ended 31 December 2020 gross written premiums amounted to USD47.9 million (2019: USD34.3 million) and claims incurred totalled USD8.7 million (2019: USD2.4million). The Company registered a profit before tax of USD3.5million (2019: USD0.3million).

### **B. System of governance (Section B)**

The Company's corporate governance framework is summarised in the following table:



In order to manage the risks to which the Company is exposed, the Company has put in place a comprehensive system of internal controls and risk management governance designed to ensure that executives are informed of significant risks on a timely and continuing basis and have the necessary information and tools to appropriately analyse and manage these risks. Such controls include an internal framework with three risk-related lines of defence; the use of the four key functions (Risk Management; Compliance; Internal Audit; and Actuarial) as required by the Solvency II Regulations; and a system of internal risk management governance designed to ensure that the risks to which the Company is exposed are identified, assessed, monitored and controlled in a timely manner.

## C. Risk profile (Section C)

The Company is exposed to a wide variety of risks, including underwriting risks, market risks, credit risks, liquidity risks, operational risks and other material risks. The nature of such risks and their impact on the Company’s risk profile under various scenarios are in each case set forth in Section C hereof, including by reference to the documents incorporated therein.

The Company also considered a number of stress tests and scenarios to assess its resilience and strength of its business model when facing adverse events during the projected period. The results from these analyses indicate that the Company will continue to have eligible own funds to comply with the Solvency Capital Requirements (SCR) even in stressed scenarios.

## D. Valuation for solvency purposes (Section D)

The Company's Solvency II balance sheet is prepared as of December 31, 2020, in compliance with Solvency II Regulations.

Assets and liabilities are valued based on the assumption that the Company will pursue its business as a going concern. Technical provisions are recognised with respect to all insurance obligations towards policyholders and beneficiaries of insurance contracts. The value of technical provisions corresponds to the current amount that the Company would have to pay if it were to transfer its insurance obligations to another insurance undertaking.

Assets and liabilities, other than technical provisions, are recognised in compliance with IFRS and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the balance sheet date with a compulsory date of January 1, 2017, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive:

- Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
- Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

## E. Capital management (Section E)

The Company has the appropriate structure and processes necessary to manage and oversee its own funds, and has a policy and medium-term capital management plan to maintain solvency levels within the limits established by the legislation and by the Company's own risk appetite.

The following table shows details of the Company's solvency ratio:

31 December 2020	
Solvency Capital Requirement (SCR)	USD20,474,856
Eligible own funds to meet the SCR	USD33,508,193
<b>Solvency ratio (SCR coverage)</b>	<b>163.7%</b>

The Company's Solvency Capital Requirement amounted to USD20.5 million. The SCR corresponds to the own funds that the Company must hold to limit the probability of bankruptcy to one case per 200, or that the Company is still 99.5% able to meet its commitments to insurance beneficiaries or policyholders during the following year.

To calculate the solvency ratio, the Company does not make use of matching and volatility



adjustments, or transitional measures for technical provisions.

The Solvency II regulation also establishes a Minimum Capital Requirement (MCR), which is the minimum level of security under which financial resources should never fall. The Company's MCR amounted to USD8.5 million. The ratio of eligible own funds to MCR is equal to 394.6%.

## **Events after the reporting date**

In January 2021 the Company received an additional capital contribution of USD8.4million from the wider group to support the Company's growth strategy.

## **A. BUSINESS AND PERFORMANCE**

## **A. BUSINESS AND PERFORMANCE**

### **A.1 Business**

The Company operates as a non-life insurance company authorised by the Malta Financial Services Authority (“MFSA”) with the head office situated in Malta. The Company is a wholly-owned subsidiary of Fortegra Europe Holdings Limited, with Fortegra Financial Corporation (“Fortegra”) serving as the parent company. Fortegra, an insurance holding company, was incorporated in the State of Georgia in 1981 under the name Life of the South Corporation. In 2009, Fortegra changed its name to Fortegra Financial Corporation and subsequently reincorporated in the State of Delaware in November 2010. Its principal executive offices are located at 10751 Deerwood Park Boulevard, Suite 200, Jacksonville, Florida, 32256.

The Company is authorised under the Insurance Business Act (Cap. 403) to write insurance under business Classes 3 (Land vehicles), 8 (Fire and natural forces), 9 (Other damages to property), 16 (Miscellaneous financial loss) and 18 (Assistance), transacting business and providing its services in the following territories:

- |                  |                 |                  |
|------------------|-----------------|------------------|
| - Austria        | - Greece        | - Norway         |
| - Belgium        | - Hungary       | - Poland         |
| - Bulgaria       | - Iceland       | - Portugal       |
| - Croatia        | - Ireland       | - Romania        |
| - Cyprus         | - Italy         | - Slovakia       |
| - Czech Republic | - Latvia        | - Slovenia       |
| - Estonia        | - Liechtenstein | - Spain          |
| - Finland        | - Lithuania     | - Sweden         |
| - France         | - Luxembourg    | - United Kingdom |
| - Germany        | - Netherlands   |                  |

The Company does not underwrite any risks situated in Malta. The business written to date is in the UK, Spain, Ireland, the Netherlands, Poland, the Czech Republic, Hungary and Slovakia.

The below are details of the Company:

#### REGISTERED ADDRESS

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Office 13, SOHO Office, The Strand, Fawwara Building  
Triq l-Imsida, Gzira, GZR 1401  
Malta

#### SUPERVISORY AUTHORITY

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The Company's principal supervisor is the Malta Financial Services Authority (MFSA).

Malta Financial Services Authority (MFSA),  
Triq l-Imdina,  
Zone 1, Central Business District, Birkirkara  
CBD 1010  
Malta  
Phone: + 356 2144 1155  
Website: [www.mfsa.com.mt](http://www.mfsa.com.mt)

#### STATUTORY AUDITORS

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Deloitte Audit Limited,  
Deloitte Place,  
Triq l -Intornjatur  
Central Business District  
CBD 3050  
Phone: + 356 2343 2000

#### SHAREHOLDERS

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The table below reflects the company, which holds qualified investments in the Company:

Name	Legal Status	Location	% of ownership
Fortegra Europe Holdings Limited	Limited Liability	Malta	100%

The registered address of the shareholder is:

Office 13, SOHO Office, The Strand, Fawwara Building  
Triq l-Imsida, Gzira, GZR 1401  
Malta

## A.2 Underwriting performance

The Company saw significant growth in 2020, writing increased volumes across all of its product lines; Guaranteed Asset Protection, Other Motor Insurance products (Tyre & Wheel insurance, SMART insurance (dents & scratches), Auto Extended Warranty) and Household Insurance products (Mobile Phone & Gadget cover, Furniture Insurance).

The following is a list of the main product and policy types that the Company wrote during the year:

### **Miscellaneous Financial Loss:**

**Guaranteed Asset Protection (GAP):** Motor vehicle asset protection products providing customers with a financial benefit over and above the amount a motor insurer will pay out in the event the vehicle is declared a total loss, for example, as a result of accidental or malicious damage, fire, theft or flood. The main types of GAP policies purchased are as follows:

**i) Contract Hire/ Lease GAP**

Where a policyholder has leased or hired a motor vehicle for a fixed period, the policy will pay the difference between the contract hire/ lease settlement figure and the motor insurers' settlement.

**ii) Finance GAP**

Where the motor vehicle has been purchased under a finance agreement, the policy will pay the amount by which the finance agreement settlement figure exceeds the motor insurers' settlement.

**iii) Combined Return to Invoice and Finance GAP**

Will pay the greater of a) the amount by which the purchase price of the motor vehicle exceeds the comprehensive motor insurers' settlement or b) the Finance GAP benefit as explained above.

**iv) Combined Vehicle Replacement and Finance GAP**

Will pay the greater of a) the amount by which the cost of a replacement vehicle (equivalent to the original motor vehicle specification) exceeds the comprehensive motor insurers' settlement or b) the Finance GAP benefit as explained above.

### **Other Motor Insurance:**

**Extended Warranty / Mechanical Breakdown Insurance (MBI):** A motor vehicle warranty providing cover for mechanical or electrical failure to specific components up to an agreed limit per claim and in aggregate over the term.

**SMART Repairs (Small to Medium Accident Repair Techniques):** SMART products providing insurance to cover the cost of any parts and labour for minor repair damage, which can be

defined as chips, minor dents, light scratches and incidents sustained to the vehicle caused by day to day motoring.

**Key & Misfuel Insurance:** Products providing cover in the event of theft or loss of keys (or remote entry device) to a motor vehicle and where the vehicle has been filled accidentally with the incorrect type of fuel.

**Tyre Insurance:** In the event of accidental or malicious damage, policies providing cover for repair (where possible) or replacement of tyre(s) with tyres of the same or similar specification, subject to the excess payable.

**Alloy Wheel Insurance:** Policies covering the cost of parts and labour to carry out minor repairs to the painted finish of alloy wheels resulting from accidental damage.

**Other Property Insurance:**

**Furniture:** Policies covering structural defects beyond the manufacturer's warranty and accidental damage. Depending upon the type of furniture that is purchased, the length and type of cover that is provided by the manufacture can differ, therefore extended warrant or cover can differ in duration and benefit can be purchased to compliment any warranty that is provided at point-of-sale.

**Mobile & Gadget Cover:** Insurance for mobile phones, tablets, iPads, cameras, laptops, MacBook's, etc.

**Home Appliance:** White Goods: Policies covering mechanical or electrical failure or breakdown, typically for kitchen appliances such as washing machines, tumble dryers, washer dryers, dishwashers, fridges, freezers, fridge freezers and cookers, being operated in a domestic environment.

**Small Appliance:** Policies covering mechanical or electrical failure or breakdown for small appliances typically used around the home, such as microwaves, irons, toasters, kettles and others being operated in a domestic environment.

**Consumer Electronics:** Brown Goods: Policies covering mechanical or electrical failure or breakdown, typically for home entertainment products such as televisions, DVD players/recorders, digital receivers, games consoles etc. being operated in a domestic environment.

Below is the quantitative information regarding the activity and underlying results for 2020 by line of business.

<b>Non-life insurance</b>				
	<b>Miscellaneous financial loss 2020 (USD)</b>	<b>Other motor Insurance 2020 (USD)</b>	<b>Other property insurance 2020 (USD)</b>	<b>TOTAL 2020 (USD)</b>
Gross premiums written	12,747,227	25,421,755	9,754,800	47,923,782
Reinsurers' share	(3,029,071)	-	-	(3,029,071)
<b>Net premiums written</b>	<b>9,718,156</b>	<b>25,421,755</b>	<b>9,754,800</b>	<b>44,894,711</b>
Change in the gross provision for unearned premium	(5,198,576)	(11,543,875)	(7,840,274)	(24,582,725)
Change in the gross provision for unearned premium, reinsurers' share	348,256	-	-	348,256
<b>Earned premiums, net of reinsurance</b>	<b>4,867,836</b>	<b>13,877,880</b>	<b>1,914,526</b>	<b>20,660,242</b>
<b>Operating expenses</b>				
Acquisition costs	(1,821,595)	(8,042,779)	(3,300,580)	(13,164,954)
Change in deferred acquisition costs, net of reinsurance	571,808	3,028,602	2,518,242	6,118,652
<b>Earned premiums, net of reinsurance and acquisition costs</b>	<b>3,618,049</b>	<b>8,863,703</b>	<b>1,132,188</b>	<b>13,613,940</b>
Claims paid	(1,642,889)	(6,326,173)	(743,097)	(8,712,159)
Change in the provision for claims	(15,074)	-	2,640	(12,434)
<b>Claims incurred, net of reinsurance</b>	<b>(1,657,962)</b>	<b>(6,326,173)</b>	<b>(740,457)</b>	<b>(8,724,593)</b>
<b>Net underwriting income</b>	<b>1,960,086</b>	<b>2,537,530</b>	<b>391,731</b>	<b>4,889,347</b>

As can be seen from the above table, the Company closed the year with gross annual premium for these policies amounting to USD47.9 million.

## A.3 Investment performance

Whilst the main objective of the investment manager is “to provide a total return that exceeds the total benchmark return and to preserve the capital of the respective account”, the current international economic outlook dictates that the Company takes a conservative and cautious approach to investment.

In line with the Company’s Investment Management Policy, the Company only invests in assets whose risks can be properly identified, measured, monitored, controlled and reported. Moreover, such assets shall meet the specific risk profile, approved risk tolerance limits and the business strategy of the Company. It is the Company’s policy that the funds be invested in a range of instruments and credit institutions in order to provide for their safety, liquidity and return.

Through the year the company’s cash resources have grown. As at 31 December 2020, the majority of the Company’s liquid assets are held in cash and cash equivalents and ETFs.

<b>Investment income</b>	<b>2020 (USD)</b>	<b>2019 (USD)</b>
Interest and investment income	733,257	540,951
<b>Total financial income</b>	<b>733,257</b>	<b>540,951</b>



## **A.4 Performance of other activities**

The Company's income is solely generated from the underwriting performance of the policies and the investment performance. Likewise, the expenses are solely generated from the technical and operational costs of the Company. The Company is not engaged in any other activities and does not underwrite third party business.

## **A.5 Any other information**

There is no additional information that has not been included in the preceding sections.

## **B. SYSTEM OF GOVERNANCE**

## B. SYSTEM OF GOVERNANCE

### B.1 General information on the system of governance

In the setting up and design of the structure of the organisation, the Board of the Company ensures that there are adequate and suitably qualified human resources to safeguard the proper operation of the Company. In addition to this, the Board ensures at all times that there are well defined communication and reporting procedures in place to ensure that any relevant and critical information is immediately shared amongst the appropriate persons throughout the organisation and that these have access at all times to any information that they need in order to discharge their duties effectively, efficiently and in a timely manner. The information will flow across the organisational hierarchy top down and vice versa, and across any operational or functional units as required.

The Board of the Company drives and monitors the system of governance to ensure that the Company's established functions, controls and systems are effective and in line with the Company's policies and regulatory requirements. This is achieved through established policies, processes, key function holders, committee meetings and board meetings.

#### Board of Directors

The Board is responsible for setting out the general direction of the Company, the goal being of achieving sound and prudent management. Sound and prudent management entails an effective risk management function and the implementation of adequate internal control practices in a consistent manner throughout the organisational structure. The Board of the Company has established various policies to encompass all the Company's controls and processes. To this effect the Board has the following written policies:

- Business Continuity Policy	- Capital Management Policy
- Complaints Handling Policy	- Compliance Policy
- Conduct Risk Policy	- Corporate Governance Policy
- Data Privacy Policy	- Fit and Proper Policy
- Internal Audit Policy	- Investment Management Policy
- Own Risk and Solvency (ORSA) Policy	- Outsourcing Policy
- Underwriting, Pricing and Risk Appetite Policy	- Product Oversight and Governance Policy
- Disclosure Policy	- Reserving Policy
- Risk Management Policy	

All policies are reviewed at least annually or when there are material changes to the business

structure or changes in any process or processes, in order to ensure that they are up to date and that they reflect the controls intended to be put and kept in place by the Board. All policy reviews are documented and there will be an identified reviewer for each policy. Any recommendation for change is proposed directly to the respective Board Committee and the Board gives the final approval or otherwise for any proposed changes. Any reason for change or otherwise is also documented. The Board ensures that all policies are communicated and understood throughout the organisation, and where necessary or applicable they are made known to any outsourced service providers. In addition to the above, the Board may develop any other policies if required by its business profile or make changes to existing policies where required.

The Board meets at least four times every year or more frequently if required by the business of the Company, or if any circumstance material to the organisation arises at any point in time. The Board is made up of seven members, three being executive directors and four being non-executive directors, two of whom are independent from the Company. The Board is composed as follows:

Chairman:	Mr. Rick Kahlbaugh
Executive Director:	Mr. Sanjay Vara Mr. James Portelli
Non-Executive Directors:	Mr. Mike Grasher Mr. Mike Vrbán Mr. Kevin Vella (independent) Mr. Francis Colalucci (independent)

The Board possesses the required diversity of knowledge, skills and experience to perform their role effectively and fulfil the Solvency II criteria to collectively possess the appropriate qualification, experience and knowledge about at least:

- a) Insurance and financial markets;
- b) Business strategy and business model;
- c) System of governance;
- d) Financial and actuarial analysis;
- e) Regulatory framework and requirements.

The Directors have been assessed to be fit and proper for the roles. Personal Questionnaires for each Director have been completed.

## The Board Committees

The Board appointed the following committees to assist it in its governance role. However, the Board still retains the ultimate responsibility for these delegated functions. Each committee has its own terms of reference and the reporting of each of the established committees is directly to

the Board. The Board Committees are as follows:

Underwriting and Claims and IT Committee

Chairman: Mr. Sanjay Vara  
Members: Mr. Mike Grasher  
Mr. Mike Vrban  
Mr. James Portelli  
Mr. Francis Colalucci

This Committee exists to establish and review, on a regular basis, the insurance needs of the Company's clients and the adequacy of the policies in place, via relationships or otherwise, to ensure the terms and conditions of the Company's Underwriting Agreements with Third Party Administrators (TPAs) or intermediaries in the host jurisdictions are complied with. The Committee is also responsible for ensuring that appropriate due diligence processes are conducted in relation to the quality, size and geographic scope of the claims handling services of the TPAs. Meetings of the Committee are held at least on a quarterly basis.

Finance, Actuarial and Investment Committee

Chairman: Mr. Mike Grasher  
Members: Mr. Sanjay Vara  
Mr. Mike Vrban  
Mr. Kevin Vella  
Mr. Francis Colalucci

This Committee is responsible for the oversight of the service providers performing the finance, actuarial and investment management functions of the Company and ensuring they meet the expected standards of service in terms of their outsourcing agreements. The Committee is also responsible for the monitoring of the integrity of the financial statements of the Company and the appropriateness of the Company's internal data, systems and controls and compliance with legal and regulatory requirements relating to financial reporting, actuarial and investment management functions. Meetings of the Committee are held at least on a quarterly basis.

Risk Management and Compliance Committee

Chairman: Mr. Francis Colalucci  
Members: Mr. Mike Grasher  
Mr. Mike Vrban  
Mr. James Portelli

This Committee is responsible for the oversight of the service providers performing the risk management and compliance functions of the Company and ensuring they meet the expected standards of service in terms of their outsourcing agreements. In performing its oversight role, the Committee shall ensure that it receives regular reports from the risk management and compliance functions of the Company at each Committee meeting. Meetings of the Committee are held at least on a quarterly basis.

In terms of Article 2(1) (f) of the Solvency II Directive 2003/71/ EC, the Company classifies as a small and medium-sized enterprise. The functions normally assigned to an audit committee are assumed by the Board.

## Key functions

The Board approved various policies to ensure operational independence of the key functions and direct access to the governing body. The Board and/ or relevant delegated committees receive reports from the responsible areas at the Company. The names of the parties responsible for the key functions were communicated to the MFSA.

The key functions have the resources that are necessary to perform the functions assigned to them under their respective policies.

The Company has identified the following key functions:

### SALES AND DISTRIBUTION FUNCTION

The Company promotes its products primarily via insurance intermediaries who will introduce their business to Fortegra. The Company ensures that all appointed insurance intermediaries are duly licensed entities and will enter into a formal Terms of Business Agreement (TOBA) with such intermediaries on a temporary, annual basis. These intermediaries are independent from Fortegra and intermediate on behalf of various insurance undertakings. The function holder is Mr. James Portelli, with the oversight role being assumed by Mr. Sanjay Vara as the Chairman for the Underwriting, Claims and IT Committee.

### UNDERWRITING FUNCTION

The function holder is Mr. James Portelli, with the oversight role being assumed by Mr. Sanjay Vara as the Chairman for the Underwriting, Claims and IT Committee.

### MANAGEMENT FUNCTION

The management function was previously outsourced to USA Risk Group (Malta) Limited, an insurance manager authorised by the MFSA to carry out the activity of insurance management. During the year, this function has been brought in-house with Mr. James Portelli being appointed the General Manager. For this role, Mr. Portelli reports to the Board.

## FINANCE FUNCTION

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This function was previously outsourced to USA Risk Group (Malta) Limited. During the year, this function has been brought in-house with Mr. Khizerul Huda being appointed as the finance function holder. The oversight for the finance function is assumed by Mr. Mike Grasher as Chairman for the Finance, Actuarial and Investment Committee.

## COMPLIANCE FUNCTION

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The key function holder of this function is Mr. Brian Borg. The oversight of the function is held by Mr. Francis Colalucci as Chairman of the Risk Management and Compliance Committee. The Company's intention is to continue to passport its services to various territories within Europe and in order to ensure full compliance with the general good provisions of the host jurisdiction, the Company engages the services of suitably qualified companies or individuals to provide such local advice pertinent to each territory, who in turn will support the compliance function in Malta. The Compliance Officer will continue to ensure that when the Company obtains such services, it does so with fit and proper service providers and will oversee the approval of such compliance matters.

## RISK MANAGEMENT AND ACTUARIAL FUNCTION

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These functions are both assumed by Milliman LLP. The Company has taken this path to ensure that both functions, which are very much aligned in Solvency II disciplines are managed by a company which is well known, professional and experts in this field. The Risk Management Function is overseen by Mr. Frank Colalucci as the Chairman of the Risk Management and Compliance Committee, while the Actuarial Function is overseen by Mr. Mike Grasher as the Chairman of the Finance, Actuarial and Investment Committee.

## CLAIMS HANDLING FUNCTION

---

The Company utilises the expertise of outsourced TPAs to handle claims management functions. All TPAs are vetted under strict guidelines and formally appointed by the Company. TPAs operate under strict delegated authority in line with the terms of formal Claims Management Agreements. TPAs will manage claim files in line with the Company's instructions and have defined limits for the payment of specific indemnities. Within the Company, the Claims Handling Function is assumed by Mr. James Portelli. Mr. Sanjay Vara, as Chairman of the Underwriting, Claims and IT Committee carries out the oversight role on the Claims Handling Function.

## INTERNAL AUDIT FUNCTION

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This function is outsourced intra-group to group internal audit. The key function holder is



Ms. Zoya Roberts of LOTS Intermediate Co, with the oversight role being held by Mr. Rick Kahlbaugh as Chairman of the Board. On-site audits are conducted annually, maintaining an independent outlook on various matters, in adherence to the Internal Audit Policy. Moreover, an Internal Audit Plan was presented to the Board for approval during the year. Periodic review of compliance with relevant rules, regulations and regulatory requirements at an operational level. Internal auditors also perform tests of information system general controls for systems used in claims processing, as well as tests of inventory integrity and internal controls over financial reporting.

#### INVESTMENT MANAGEMENT FUNCTION

This function is outsourced to BlackRock Investment Management (UK) Limited. The investment management function will perform investment in securities in accordance with the approved Board's written guidelines and restrictions. The oversight role is held by Mr. Mike Grasher as Chairman of the Finance, Actuarial and Investment Committee.

#### IT MANAGEMENT FUNCTION

Mr. Shane Ringle of LOTS Intermediate Co is responsible for IT management and he establishes and directs the strategic and tactical goals, policies, and procedures for the information technology department at Fortegra Group. He is responsible for direction in the software development, network operations and IT security teams. The oversight for this key function is carried out by Mr. Sanjay Vara as Chairman for the Underwriting, Claims and IT Committee.

The forums and their responsibilities are as set out below:

<b>Management Body</b>	<b>Risk Management Roles and Responsibilities</b>
Board of Directors	<ul style="list-style-type: none"><li>- Set and agree Group's strategic direction</li><li>- Maintain the Risk Management Framework, including any major or significant changes</li><li>- Agree risk strategy</li><li>- Agree risk appetite</li><li>- Review and approve risk register</li><li>- Oversee information systems and data appropriateness</li><li>- Ensure adequate and appropriate communication between Directors and with all other parties</li><li>- Ensure that members of the Board, Committees and other parties, including those performing significant outsourced functions, possess the relevant knowledge and experience and fully understand what is required of them</li><li>- Oversee the calculation of the SCR and continuous compliance therewith</li></ul>

- Ensure any conflicts are appropriately managed and do not hinder the proper performance of any individual's duties
  - Oversee and challenge the ORSA and ensure that this forms an integral part of the decision-making process
  - Approve the ORSA
  - Ensure that all sub-committees and other functions perform their required duties adequately and promptly and, where required, report to the Board in a timely and appropriate manner
  - Set and agree an appropriate remuneration policy
  - Oversee processes and procedures to enable relevant reporting information to be obtained
  - Oversee QRT reporting disclosures
  - Oversee and approve the annual Solvency and Financial Condition Report
  - Oversee and approve the annual Regular Supervisory Report
- Risk Management and Compliance Committee
- Propose and oversee Risk Management Framework, including any major or significant changes
  - Propose and oversee risk strategy
  - Propose and oversee risk appetite
  - Determine risk register and keep up-to-date
  - Oversee fair outcomes for consumers
  - Ensure that information systems are adequate and appropriate to the Group's requirements, that the data produced is appropriate for the intended use and that the systems enable the identification and management of all risks
  - Oversee the calculation of the SCR and continuous compliance therewith
  - Assist in the ORSA process and ensure that this forms an integral part of the decision-making process
  - Ensure that appropriate processes and procedures are in place to enable relevant reporting information to be obtained
  - Recommend and approve QRT reporting disclosures
  - Oversee and recommend the annual Solvency and Financial Condition Report
  - Oversee and recommend the annual Regular Supervisory Report
  - Ensure the internal audit requirements are met in an appropriate and proportional manner
  - Liaise with internal audit
  - Report to the Board the results of internal audits
  - Ensure any weaknesses/ issues arising from the internal audit are appropriately dealt with

- Liaise with in-house/ outsourced actuarial function providers
  - Report to the Board on the actuarial function
  - Ensure all required Pillar III disclosures are met
- Underwriting and  
Claims and IT  
Committee
- Assist Board in setting insurance risk strategy and appetite
  - Ensure insurance risk strategy adhered to
  - Propose to the Board insurance risk appetite limits and tolerances
  - Monitor insurance risk against limits and ensure this is appropriately reported to the Board
  - Provide appropriate input into the calculation of the SCR and technical provisions
  - Provide appropriate input into the ORSA process
  - Provide any required input into the QRT reporting and the SFCR

Although responsibility for various areas has been delegated, the Board of the Insurance Company retains overall responsibility for risk management and for ensuring at all times that the Group is managed in a risk-focused manner.

## Relevant resolutions adapted by shareholders and the Board

During 2020, there were no changes to the Group's governance structure.

## Additional information

In the normal course of business operations, a number of transactions took place between the Group and Fortegra Financial Corporation. These transactions related to the payment of costs and administrative expenses.

## B.2 Fit and proper requirements

The Company has a Fit and Proper Policy approved by the Board. The Fit and Proper Policy aims to establish the fitness and propriety requirements of the Company with the applicable legislation, regulations and standards of good practice, particularly with Article 42 of the Solvency II Directive and Chapter II - Fit and Proper of the Guidelines on System of Governance issued by EIOPA on 28<sup>th</sup> January 2015 (EIOPA - BOS-14/253).

The aim of this Policy shall be to ensure that all persons who effectively run the Company or have key functions within the Company, fulfil the following requirements at all times:

- That their professional qualifications, knowledge and experience are adequate to enable sound and prudent management;
- That they are of good repute and integrity.

The Policy shall be reviewed by management and presented to the Board, including any proposed amendments thereto, at least on an annual basis. The Board will consider any recommendations arising from the annual review and will be required to approve any proposed revision of the Fit and Proper Policy before it becomes effective.

The Company's Board must have:

Collectively: the appropriate qualifications, experience, and knowledge in at least the following areas:

- a) Insurance and financial markets;
- b) Business strategy and business model;
- c) System of governance;
- d) Financial and actuarial analysis;
- e) Regulatory framework and requirements.

Individually: training and experience appropriate to the professional profile, specifically in the insurance and financial services area, with practical experience obtained from prior positions held during a sufficient period of time.

Relevant personnel and, where applicable, outsourced personnel must have proven personal, professional and business integrity based on trustworthy information about their personal and professional conduct and reputation, including any criminal, financial and supervisory issue which is relevant for this purpose.

To this effect, relevant personnel and outsourced personnel, where applicable must meet the following requirements:

**Personal, professional and business integrity**

- A personal career reflecting the highest respect for company and other laws governing economic activity and business operations, as well as good sales, financial, and insurance practice;
- No criminal records related to crimes against heritage, money laundering, against the social/ economic order and against the tax authorities and social security, and fines related to offences related to infringement against the insurance industry, securities market or consumer protection;
- They must not be prevented from exercising representation in public or management positions in insurance or financial entities;
- They must not be disqualified based on the prevailing regulations.

**Eligibility and compatibility**

- Shall not be subject to incompatibility, disqualification or prohibition pursuant to the laws and internal regulations in force;
- Shall not find themselves in an unavoidable conflict of interest pursuant to the laws and internal regulations in force;
- Shall not hold substantial shareholdings in, or provide professional services to, competitors of the Company, or to be employees, executives or officers thereof, unless they are expressly authorised by the Board;
- Shall not be involved in circumstances which may cause their appointment to or participation in the Company's Board to place the Company's interest at risk.

## Assessment of fitness and properness

The Company ensures that the person is fit for position to be held by following these procedures:

- Evidence shall be provided of qualifications and degrees that are in line with the requirements of the job description, prior to the recruitment of the person in question by the Company;
- The Company shall encourage and sponsor ongoing training and personal development through attendance at seminars and courses related to the area of specialisation of the person in question.

The Company ensures that the person is proper for position to be held by following these procedures:

- A recent good conduct background check is completed and recent employment references shall be obtained prior to the employment of the person in question;
- As part of the recruiting process, at least one of the Directors, representing the

shareholder, shall hold an interview with the person in question in order to ensure that the person is of integrity, honest, competent, and with the correct appetite, attitude and motivation for the position;

- The Compliance Officer shall obtain an annual declaration from every Director of the Company and persons who have submitted their Personal Questionnaire to the MFSA. This shall ensure that they have not been condemned to pay convictions, been subjected to disciplinary, administrative or other action in any court of law in relation to administrative, disciplinary or criminal offence relating to the exercise of duties as Director or Officer of the Company. Furthermore, such declaration shall confirm that they have not been subject of any ongoing investigations, enforcement actions or administrative sanctions by any relevant regulatory or professional body for non-compliance with the provisions governing banking, financial, securities, insurance activity, securities markets, payment instruments or any financial services legislation.

## **B.3 Risk management system including the own risk and solvency assessment**

### **Governance structure**

The Board of the Company is ultimately responsible for ensuring the Risk Management System's effectiveness and for determining the Company's Risk profile and tolerance limits. Further to this, the Board is also responsible for approving the Risk Management Strategies and policies within the Risk Management Framework. In performing these functions, the Company's Board is supported by the Risk Management and Compliance Committee.

The Company's risk management function facilitates the application of the Risk Management System. Its functions include the coordination of the strategies, processes and procedures that are necessary to continually identify, measure, monitor, manage and report all the risks to which the Company is exposed to, or may be exposed to.

The risk management function reports to the Board through the Risk Management and Compliance Committee any risk exposures, taking into account their interdependencies, and compliance with established limits, including the ORSA.

### **Risk management objectives, policies, and processes**

The main components of the Company's approach to Risk Management are as follows:

#### **Risk appetite**

The Company sets risk appetites for the various risk categories and appropriate measures and controls are selected and agreed for each of the risk categories. This enables regular reporting to the Board and assists the Board in monitoring the Company's risks. Risk appetite is measured in terms of:

- Those activities and associated risk exposures within a given period of time that the Company is prepared to accept, those it will avoid, those to be transferred via insurance/reinsurance or other contracts and those requiring mitigation through control;
- The ranking of risks within the Company's risk register, i.e. management's view as to whether the risk is adequately controlled or if further work is required to mitigate the risk to improve the resultant risk score;
- Internal Capital Assessment (ICA)

- a) Total capital required to meet strategic and operational objectives; and
- b) As a measure of the total risk based capital which the Company is prepared to set aside, in case of the crystallisation of significant risks. The capital to be held will be determined by the statutory requirements (under Solvency II insurers are required to hold sufficient available capital to avoid the risk of insolvency within the next year with a confidence level of 99.5%) and by the Board's own risk appetite, e.g. using different measures and over a different timeframe.

### **Risk profiling**

The risk register is used to record the risk profiling exercise. The information to be recorded in the risk register includes risk reference number/ ID, risk category, risk type, risk description, risk controls and risk tolerance.

### **Internal Capital Assessment**

A key component of the Risk Management Framework is the Internal Capital Assessment (ICA). This assessment is used to calculate the capital required for each category of the risk that the Company is exposed to. Capital requirements are calculated at the 99.5% confidence level with a 1-year horizon, i.e. to represent a worst-case scenario of a 1 in 200-year event. The capital analysis of the risks contained within the risk register is completed at least annually during the ORSA.

Capital is managed by the Company to ensure the ongoing viability and success of the Company. Pure financial objectives are balanced with the need to set aside appropriate capital in case of adverse events, in accordance with risk appetite and the MFSA requirements.

### **Strategic planning**

The strategic planning process is an annual process when strategy is reviewed and operating plans for future years are formulated. This process considers the Company's risk profile as recorded within the risk register, together with the current risk policies and ICA requirements.

The business objectives are determined, key challenges identified and core assumptions agreed. Scenario analysis is used to help shape strategic options at an early stage, stress tests are applied to challenge key assumptions behind strategic objectives and the overall plan, and operating plan objectives are analysed in detail to identify and assess associated risks.

### **Record keeping**

Risk register details are retained indefinitely by the Company and include details of risk identification and assessment, risk appetite, key controls and remedial actions proposed and implemented. The following records are of particular importance:

- Risk register
- Risk Management Framework Policy, including approval of changes
- Strategic Planning documents



- Compliance exceptional reports
- Internal audit plans and reports
- Board reports and minutes

### **Risk assessment**

The Company aims to:

- Identify the risks and identify what could affect the business and processes going forward;
- Communicate risks that crystallise to the Directors and the Risk Management and Compliance Committee;
- Ensure that controls are identified for each operational risk.

### **Monitoring and controlling risk**

Key monitoring and control activities are undertaken by the Risk Management and Compliance Committee and ultimately the Board.

The Risk Management Policy has the following main objectives:

- To explain the Company's underlying approach to risk management, whilst giving key aspects of the risk management process, and identifying the main reporting procedures;
- To embed a culture of risk awareness within the Company;
- To make all directors, management and staff accountable for managing risk in line with their roles and responsibilities;
- To identify, prioritise, measure, manage, monitor and treat all critical risks in a consistent and effective manner;
- To report using appropriate and reliable risk management tools (including key risk indicators, risk and control self-assessments) to support risk based decision making and capital assessment;
- To comply with all relevant legislation, regulatory requirements, guidance and codes of practice;
- To provide senior management and the Board with timely and dependable assurance that the organisation is managing the significant risks to its business; and
- To enable the Board to review, refresh and approve the Company's Risk Management Strategy annually, as well as to follow any significant change to the business' operating model environment.

Capital is generally estimated in line with the budget for the following year, and is periodically reviewed throughout the year according to risk development, to ensure compliance with the established Risk Appetite limits.

The governing bodies of the Company receive information regarding the quantification of the main risks to which the Company is exposed and the capital resources available to absorb them, as well as information regarding compliance with Risk Appetite limits.

The ORSA is another process through which the Company monitors and identifies any material

risks the company may face. A breakdown of the processes for the identification, measurement, management, monitoring, and notification of risks, by type, is set out below.

Type of Risk	Measurement and management	Monitoring and reporting
<b>Non-life underwriting risk</b> <ul style="list-style-type: none"> <li>- Premium risk</li> <li>- Reserve risk</li> <li>- Lapse risk</li> <li>- Reinsurance mitigation</li> </ul>	Standard formula	Annual
<b>Market risk</b> <ul style="list-style-type: none"> <li>- Interest rate risk</li> </ul>	Standard formula	Annual
<b>Credit risk</b>  Reflects any possible losses arising from unexpected non-compliance by counterparties and debtors over the subsequent twelve months.	Standard formula	Annual
<b>Operational risk</b>  Risk of possible losses deriving from the inadequacy or malfunction of internal processes, personnel or systems, or from external events.	Standard formula	Annual
<b>Liquidity risk</b>  Risk that the Company might not be able to realize its investments and other assets in order to meet its financial commitments at maturity.	Liquidity position  Liquidity indicators	Continuous
<b>Compliance risk</b>  Risk of losses due to legal/ regulatory penalties or reputation losses arising from the failure to comply with laws and regulations, or with applicable administrative requirements.	Monitoring and recognition of significant events	Continuous

<p><b>Strategic and corporate governance risk</b></p> <p>Includes the following risks:</p> <ul style="list-style-type: none"> <li>- Business ethics and good corporate governance</li> <li>- Distribution channels</li> <li>- Organizational structure</li> <li>- Market competition</li> <li>- Cyber Risk</li> </ul>	<p>Through the corporate policies aligned with the Company’s business and organisational principles</p>	<p>Continuous</p>
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All of the calculations deriving from the standard formula are updated when there is a material change in the risk profile. The Board is regularly informed of the risks to which the Company is exposed.

## Own Risk and Solvency Assessment (ORSA)

The Own Risk and Solvency Assessment (ORSA) is an integrated process in the Company’s Risk Management System. The ORSA is a mechanism, which identifies, measures, monitors, manages, and reports any short or long-term risks. Further, to ensure a relationship between the business strategy and the overall solvency capital level, the ORSA process is synchronised with the Company’s strategic plan. Thus, the ORSA includes all the significant and potential risk that the Company might face and the measures required to mitigate them.

The ORSA is a forward looking process with a three year time horizon which is consistent with business planning, that the ORSA model is based (after demonstrating its appropriateness) on the standard formula approach therefore assuming confidence level of 99.5% and that risks not covered by the Standard Formula are looked at qualitatively or quantitatively if deemed material

The ORSA process considers all potential risks facing the Company, using the risk appetite statement as a starting point. The Board is supported in this by the finance function and Milliman LLP, as set out in the Company’s Governance Framework. However, the Board retains ultimate responsibility for the ORSA, including approving the ORSA Policy, directing the process, challenging the assumptions, methodologies and results, and ensuring the output is taken into account in any decisions made. Save for extraordinary events, the ORSA is prepared annually and will take place during the final months of the Company’s financial year, thus ensuring that the timing is aligned with the business planning process.

The risk management function also carries out capital management activities that verify the following:

- The eligibility of capital in line with the current legislation;
- The compatibility of distributable dividends for continuous compliance with the Solvency Capital Requirement;
- Continuous compliance with future solvency capital requirements;
- Amounts and quality of the various eligible capital items capable of absorbing losses.

In addition to this, the risk management function is also responsible for the preparation, submission and approval by the Company's Board of the medium-term Capital Management Plan, encompassing the results from forecasts included within the ORSA.

The Company has built validation mechanisms to ensure that the data used is complete, accurate and appropriate. Section E of this report includes more detailed information on capital management.

## **B.4 Internal control system**

Due to its nature, Internal Control involves all people, irrespective of their hierarchical level within the organization, who collectively contribute to providing reasonable assurance on the achievement of the objectives mainly regarding to:

- Operations objectives: effectiveness and efficiency of operations, differentiating the insurance operations (mainly underwriting, claims, reinsurance and investment) as support operations and functions (human resources, administration, commercial, legal, IT, etc.);
- Information objectives: trustworthiness of information (financial and non-financial, both internal and external) regarding its reliability, timeliness or transparency, among others;
- Compliance objectives: compliance with applicable laws and regulations.

For its development within the organisation, the Company adopts a ‘three lines of defence’ Risk Management Framework for managing the uncertainty and prevention of risk as described below:

- 1) The first line of defence consists of functions that own and manage risk. It is made up of the employees, the management and operations, business and support departments, which are responsible of maintaining an effective control on a day- to-day basis.
- 2) The second line of defence consists of functions that oversee or specialise in risk management and compliance. It is made up of the key functions such as risk management, actuarial function, compliance and others assurance functions, which ensure the internal control functioning.
- 3) The third and final line of defence consists of functions that provide independent assurance, above all internal audit, which provides independent assessment of the adequacy, appropriateness and effectiveness of the Internal Control System and communicates eventual weaknesses timely to whom is responsible for taking the corrective measures, including Top Management and Governing Bodies, as appropriate.

The objective of the governance mechanism is to have continuous appropriate compliance, controls, incentives, communications systems and internal structures that encourage prudent effective internal decision-making and transparent operations. The Company’s internal control system consists of tasks and actions that are present in all the activities of the organization and as such is fully integrated into the organisational structure of the Company.

## Compliance function

The role of the compliance function is to advise the Board on the laws, regulations and administrative provisions that effect the Company's compliance with the established regulations. Further to this, the compliance function also conducts an impact assessment of the changes in the legal environment.

The Company's compliance function is based on the specific applicable regulatory requirements, as well as the principle of proportionality based on its business volume and the nature and complexity of the risks assumed by the Company.

Moreover, the compliance function has other responsibilities as set out below:

- Maintain control schedule of required functions/ actions and ensure carried out within specified timeframes;
- Ensure all aspects of the governance framework are kept up-to-date;
- Prepare and update risk events log and report to Board;
- Report to the Board on regulatory, legislative, and other compliance matters;
- Oversee the implementation of improvements/ changes recommended by internal audit.

The Company's Compliance Policy was reviewed and approved by the Board in 2020. The Policy defines the structure and responsibilities of the compliance function.

## **B.5 Internal audit function**

The internal audit function provides an objective, independent and value added overview of the Company's system of governance. It maintains its independence as it reports directly to the Board of the Company and also has free and unrestricted access to meetings and to all information considered necessary for the proper execution of the function.

Moreover, the internal audit function has other responsibilities as set out below:

- Develop and implement a flexible annual audit plan using an appropriate risk based methodology, taking into consideration any risks or control concerns identified by management. The audit plan as well as periodic updates to the plan must be shared with the Board to Coordinate internal audit activities and plans with other assurance providers;
- Review and monitor functioning of internal controls;
- Assess internal control effectiveness;
- Assess appropriateness and effectiveness of overall systems of governance;
- Ensure that the internal audit resources are appropriate and effectively deployed to achieve the annual audit plan;
- Make recommendations to correct deficiencies and for improvements;
- Report to the Board, and at least annually, on the sufficiency and appropriateness of the Company's policies, practices, and controls;
- Make recommendations for remediation action in respect of any significant weaknesses, deficiencies, or matters of noncompliance and ensuring that the remediation actions are carried out.

The mission, function, attributes and obligations of the internal audit function are outlined in the Internal Audit Policy. This has been approved by the Company's Board.

The Policy includes the rights and obligations of the Company's internal auditors, as well as their code of ethics. The primary objective is to communicate knowledge and internal audit aspects, classification of audit work, recommendations and deadlines, treatment of audit reports, and any other circumstance related to internal audit activities.

In addition to the aforementioned rights and obligations, the Company's internal auditors avail themselves of the code of ethics as spelled out in the Internal Audit charter. The code of ethics embodies the following four main requirements for internal auditors: Fit and proper, Objectivity, Confidentiality and Proficiency.

## **B.6 Actuarial function**

The actuarial function is outsourced to a third party service provider (Milliman LLP), and governed by the requirements set out in Article 48 of the Solvency II Directive. The actuarial function's oversight is the responsibility of the Finance, Actuarial and Investment Committee.

The Actuarial Function Policy sets out the basic principles and methods and the structure required to perform this function. It outlines in particular the objectives and tasks, the area of responsibility and information, disclosure and audit rights of the actuarial function. The overarching objectives of the actuarial function are defined as follows:

- to coordinate the calculation of technical provisions for the economic solvency balance sheet;
- to ensure the appropriateness of the methods and underlying models used, and of the assumptions made in the calculation of the technical provisions for the economic solvency balance sheet;
- to evaluate the adequacy and quality of the data used for calculating the technical provisions for the economic solvency balance sheet;
- to provide an opinion on general underwriting and acceptance policy; and
- to provide an opinion on the appropriateness of reinsurance agreements.

Beyond this, it is the actuarial function's objective to ensure consistency of the methods used for calculating technical provisions in areas of substantive overlap between the valuation standards of Solvency II and IFRS and to consider the impact of the valuation of technical provisions on other positions of the balance sheet.

The actuarial function performs its tasks independently. To ensure that their independence is not compromised in any way, actuarial function staff may not perform any operational tasks in risk acceptance that they are themselves responsible for monitoring.

The actuarial function reports to the Board at least once a year in the form of a written Actuarial Function Report. This report contains opinions on:

- the reliability and appropriateness of the calculation of the technical provisions;
- the general underwriting and acceptance policy;
- the appropriateness of the reinsurance agreements; and
- the activities undertaken by the actuarial function, including their outcomes.

The Finance, Actuarial and Investment Committee reviews the written Actuarial Function Report and makes recommendations to the Board in respect of any matters arising from the report which it considers require action or improvement. The Actuarial Function on request reports once a year at a meeting of the Finance, Actuarial and Investment Committee on its activities and the results of its work.



## **B.7 Outsourcing**

The Outsourcing Policy establishes the general principles, tasks, processes and responsibilities in the event of outsourcing of a critical and/ or important business function. The scope of this Policy is to establish the standards for implementing outsourcing arrangements for any key, critical, important operational function of the Company in full compliance with legislative and regulatory requirements.

Any outsourced key function or critical function must be notified to the MFSA.

The Board retains ultimate responsibility for the discharging of any obligations related to the outsourced activity or function and must exercise due care in the selection of the service providers, ensuring that they are fit and proper and that any risk generated by the outsourced activity is managed effectively. The Board also remain fully responsible for any sub out-sourcing by the service provider. Furthermore, the Board must ensure that any sub-outsourcing would be notified prior to becoming effective and that it is satisfied that the ultimate service provider also meet the Company's fitness and properness requirements.

The existing governance structure ensures that the Company has sufficient control over the critical functions and/ or activities that have been outsourced, in the terms established in the Solvency II Directive and the enabling local legislation.

## **B.8 Any other information**

There is no additional information that has not been included in the preceding sections.

## **C. RISK PROFILE**

## C. RISK PROFILE

### Preliminary information

The Company is committed to implementing a continuous, proactive and systematic approach to risk management that is effected by the Board and management. The Company's risk management processes are designed to identify any potential risks that may affect the operations of the Company and the support it is expected to provide to its respective stakeholders, and to manage these within an agreed upon range of risk tolerances. Risk management is applied strategically and appropriately to provide reasonable assurance that the Company will achieve its objectives.

Risk identification involves documenting the risks within the business and those influencing from the outside. The causes and consequences, together with the mitigation controls are identified for each risk. Each risk identified is assessed, in terms of impact and probability. Level of concern is expressed for each risk and represents a measure of risk appetite. The assessments of inherent risk, residual risk and level of concern are performed by the risk management function holder and reviewed by the Risk Management and Compliance Committee and ultimately the Board.

The Company calculates its Solvency Capital Requirement (SCR) using the standard formula. For the main risk categories, the standard formula is considered an appropriate risk measurement tool for determining the Company's risk exposure, as it recognises the capital charge corresponding to key risks (such as underwriting, market, counterparty and operational risk).

The Company's exposure to other risks not included in the Standard Formula SCR (such as liquidity risk) is not considered significant, as the Company has effective measures in place for the management and mitigation of such risks.

This section provides detail on the breakdown of the capital requirement under Solvency II by risk module and risk sub-module. It also includes a description of the reduction and mitigation techniques used by the Company to minimise its risks. Any possible concentrations are also indicated.

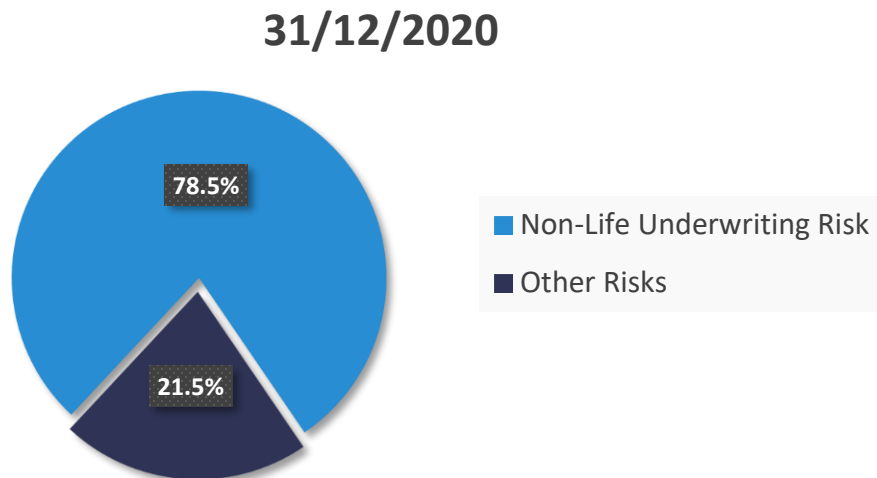
## C.1 Underwriting risk

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. The Company underwrites the following lines of business:

- Other motor insurance;
- Fire and other damage to property insurance;
- Miscellaneous financial loss;
- Assistance (no premiums underwritten during 2020).

Section A.2 'Underwriting performance' details the breakdown of lines written by the company in the year ended 31 December 2020.

As at 31<sup>st</sup> December 2020, underwriting risk represented 78.5% of all of the risk modules included in the SCR standard formula calculation. The following chart presents details by module.



The Company has an Underwriting and Pricing Policy in place which exists to ensure that it has a clear and formal framework of underwriting principles that will provide sustainable pricing for its core functions in full compliance with the Risk Management Policy of the Company. The Policy outlines the processes and controls that are required to adequately analyse, price and manage the business it is willing to accept.

The Company minimises underwriting risk through the implementation of the following measures:

### **Establishing policies, limits and exclusions in underwriting risk**

The insurance products sold by the Company outline the cover provided but are all subject to

terms, conditions, limitations and exclusions. These are generally subject to domestic and international market standards and practices. Notwithstanding, the Company's Underwriting and Pricing Policy establishes the insurance products that can be sold or written by the Company and the lines of business that cannot be entertained. Furthermore, the Underwriting and Pricing Policy provides authority limits which detail the Gross Written Premium by function holder and define the information that is required to be submitted as part of the underwriting process.

### **Setting of a sufficient premium**

The Company gives importance to premium sufficiency, which is supported by actuarial calculations. In relation to pricing, the Company bases its underlying assessment of risk to drive a minimum 15% margin (of net risk), achieving a loss ratio no greater than 85%.

### **Adequate allocation of the technical provisions**

Claims handling and the sufficiency of technical provisions, are basic principles of insurance management. Technical provisions are calculated by the Company's Finance Department with the involvement of the Actuaries.

### **Use of reinsurance**

The Company has entered into a Quota Share Reinsurance Treaty with Lyndon Southern Insurance Company, wherein the Company would cede 30% of its business on a Quote Share basis, upon activation of the Reinsurance.

During the year the Company also entered into a Quota Share Reinsurance Treaty with Fortegra Indemnity Insurance Company, wherein the Company cedes 90% of it is risk specific to one particular GAP program.

The Company's objectives overall and for managing underwriting risk are as follows:

- To provide quality insured products that provide value to the end customer;
- To deploy its products and services through B2B relationships with well recognised, reputable brands only;
- To appoint partners, including brokers and TPA's that are financially sound and that are highly regarded within the industry;
- To have a clearly defined understanding of the insurance business it wishes to write;
- To refer to the Underwriting and Claims and IT Committee any business that is considered not to be within its risk appetite or is deemed to be of high risk in nature.

The Company is exposed to underwriting risk arising from natural or man-made catastrophes. To mitigate catastrophe risk, specific reinsurance coverage (as mentioned above) will be purchased to protect the Company's net retained exposure.

## Claims risk

The Company utilises the expertise of outsourced TPAs to handle claims management functions. TPAs are vetted under strict guidelines and formally appointed by the Company. TPAs are required to operate under strict delegated authority in line with the terms of formal Claims Management Agreements.

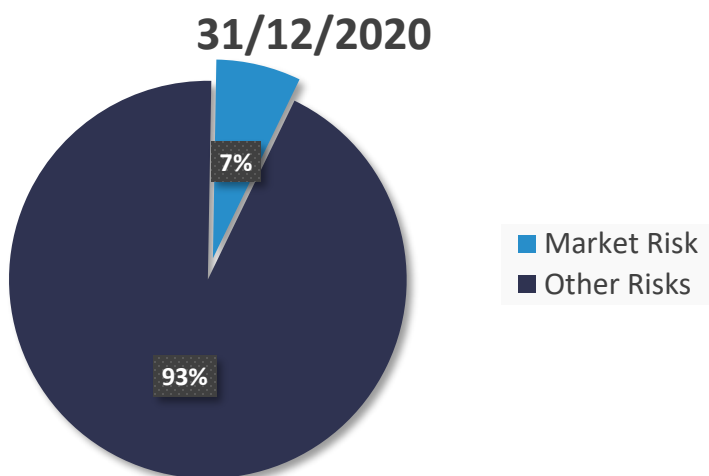
TPAs manage claim files in line with the Company's instructions and have defined limits for the payment of specific indemnities. Any claims or losses exceeding these agreed limits will be referred to the General Manager for approval prior to authorisation and payment of the claim. It must be noted that for the majority of products the claims are low value, routine claims subject to fixed pre-agreed amounts such as replacement costs or repair costs that do not involve complex loss adjustment processes. Any exceptional or large loss would be referred to the General Manager consults with the Underwriting and Claims and IT Committee members or the Board by circular email or in ad hoc meetings and refer the Committee's decision to the TPA in writing.

Within the delegated authority there will be no allowance for any declinature, denial, ex-gratia payments or commercial decision making. Any exceptions to the policy terms or guidelines will require written approval from the Underwriting and Claims and IT Committee members or the Board prior to execution.

## C.2 Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that arises from fluctuations in the values of, or income from, assets. It includes risks associated with movements in interest rates, foreign exchange exposure, equity investments and valuation processes.

As at 31<sup>st</sup> December 2020, market risk represents 7% of all the risk modules included in the SCR standard formula calculation. The following chart presents details by module.



The Company aims to maintain a balance between capital preservation, liquidity and investment return. As at 31 December 2020, the majority of the Company's liquid assets are held in cash or short and medium term iShares Exchange Traded Funds.

The Company has put in place arrangements such that liabilities falling due will be met by assets matched by currency for all of the Company's business written across Europe. However, from the point of view of the Solvency II balance sheet, in contrast to the IFRS balance sheet, an element of currency risk may arise from the expected future profit arising from the business and the recognition of this profit in the reporting currency. Due to the small volumes of business written at this time, this is not deemed to be material.

The Company mitigates its exposure to market risk through a prudent investment policy, characterised by eligible investments included within the benchmark. The Company is prohibited to invest in open-end or closed-end collective investment schemes or any commodity futures or options contracts.

The Risk Management Framework describes the framework and processes used by the Company to identify and assess risks. Risks have been identified and are recorded in the risk register. The risk register is discussed formally on at least an annual basis by the Risk Management and



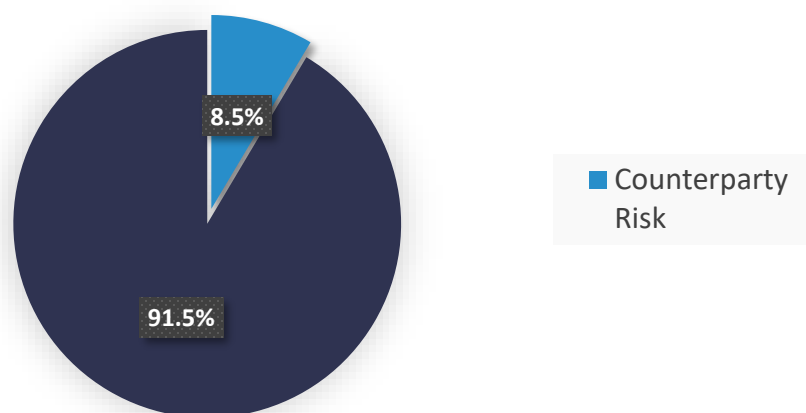
Compliance Committee and Board. To date, at each Board meeting consideration is given to whether the Company's risk profile or risk exposure has changed due to management actions. Once identified, risks will be assessed as to their likely impact and the likelihood of their occurrence. This assessment is done both on an inherent basis (i.e. without taking account of controls and mitigations) and on a residual risk basis (i.e. the risk remaining after any mitigations). Risks will then be allocated a significance based on the combined effect of these ratings.

## C.3 Credit risk

Credit risk is the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties, and any debtors to which insurance undertakings are exposed, in the form of counterparty default risk.

As at 31<sup>st</sup> December 2020, the counterparty default risk represents 8.5% of all of the risk modules included in the SCR standard formula calculation. The following chart presents details by module.

**31/12/2020**



### Counterparty default risk

The company currently holds almost all of its cash resources at one bank, which currently has long term issuer credit ratings from the major rating agencies which are in the A range, and is therefore exposed to counterparty default risk if bank credit is downgraded. This could occur if one or more bank(s) are impacted by material adverse financial market performance and global economic downturn, leading to an increase in the likelihood of bank failure.

During the year, the Company entered into a reinsurance arrangement with Fortegra Indemnity Insurance Company (a company with an A- rating). This gives rise to a counterparty default risk capital charge on the reinsurance arrangement.

The risk management of credit risk should cover the failure of counterparty due diligence of both insurance counterparties and reinsurers. Risks that have been identified as material are included within the risk register. Risk identification involves a regular, systematic review of the risks on the risk register and documentation of other new and developing risks within the business and those influencing it from outside. This risk identification phase should reflect the most current status of the undertaking's risk profile.

The risk management process will include systems and controls set out as applicable policy and procedures in respect of counter-party assessment including screening, credit risk measurement, problem exposures, provisioning and mitigation and record keeping. Each risk is classified into a risk zone denoted by green, amber or red, with the zones being aligned to the risk appetite of the Company. The risk profile is monitored by the Risk Management and Compliance Committee.

### **Management and mitigation techniques**

Key controls in place are:

- Due diligence reviews of counterparties
- Terms of Business Agreements in place
- Regular monitoring on aged debt
- Audits of counterparties
- Review of credit ratings of counterparties
- Review of all new and renewing reinsurance transactions
- Limiting loss funds held by TPAs

## C.4 Liquidity risk

Liquidity risk is the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

Liquidity risk is not included in the SCR Standard Formula calculation. Exposure to liquidity risk is considered to be low, taking into account the Company's conservative investment policy, with its investments held in cash and cash equivalent assets and short term duration of investments.

### **Management and mitigation techniques**

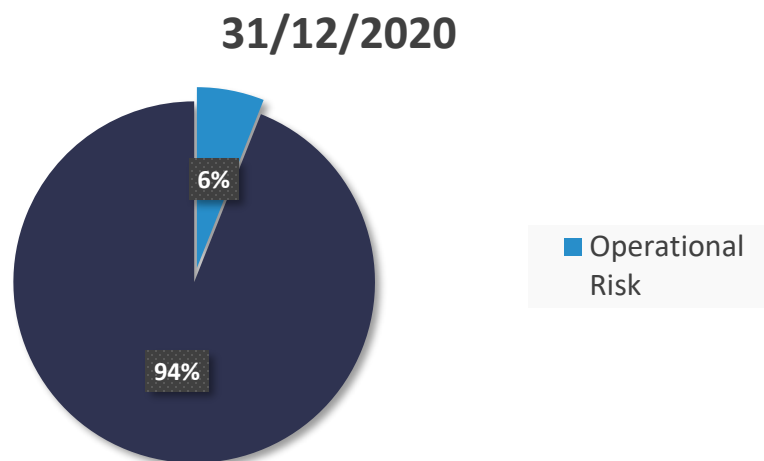
Key controls in place are:

- Cash flow monitoring and reporting
- Claim movements reports
- Claim settlement statements from business partners using in cash flow planning

## C.5 Operational risk

The Company defines operational risk as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk is diverse in nature and permeates all business activities, but remains a distinct form of risk in its own right. Operational risk includes the risk associated with information systems, people, external events and strategy, process, finance and accounting, business continuity, outsourcing, regulatory and legal, security and financial crime.

As at 31<sup>st</sup> December 2020, the operational risk represents 6% of all of the risk modules included in the SCR standard formula calculation. The following chart presents details by module.



Most of the operational tasks involved in the running of ForteGra are outsourced and therefore, most of the operational risk would result from a dysfunction within the outsourcing counterparty. The company reviews the functions of outsourced service providers to ensure there is a sufficient control environment to mitigate this risk.

The Company seeks to conduct its operations in accordance with market good practice and the highest standards of integrity and fair dealing issues or endorsed by the regulatory requirements, designed to protect policyholders. The operational activities of the Company are supported by appropriate suitable IT systems which are all backed up. Moreover, people risk is managed with the aim of ensuring that sufficient skilled and motivated staff are engaged in cost effective and compliant manner. Personnel who require MFSA approval (approved persons) are subject to ongoing monitoring with regards to fitness and properness requirements.

### Management and mitigation techniques

Key controls in place are:

- Data back-up and recovery
- Emerging risk process
- Business continuity plan
- Training and development programme
- Conduct risk controls
- Sanction process
- Business change management

## C.6 Other material risks

### Non-compliance risk

Non-compliance risk is defined as the risk of incurring losses as a consequence of legal or regulatory penalties, or loss to reputation that may affect the Company as a result of not complying with laws, regulations, rules, internal and external standards or administrative requirements which should be applied to its activities.

The risk is primarily mitigated through the work performed by the compliance function who advises the Company on compliance with laws and regulations and also include an assessment of the possible impact of any changes in the legal environment on the operations of the Company and the identification and assessment of compliance risk.

### Legal risk

Legal risk is defined as the event arising from a change in regulations, law or administrative procedures that may adversely affect the Company.

Over the last years, the regulatory framework to which the insurance industry is subject is being extended with new regulations both at the international and the local level. Additionally, it must be borne in mind that the Company operates in a complex environment under increasing regulatory pressures, not only in the insurance sector but also in the technological, corporate governance or criminal corporate responsibility fields, among others.

This risk is primarily mitigated through the work performed by the compliance function and through the support from the Company's legal counsel.

### Cybersecurity risk

Cyber risks are those risks related to security in the use of information and communication technologies, cyberspace and the transfer, processing and storage of electronic data. These cyber risks can compromise:

- The confidentiality, integrity and availability of information handled by the Company, as well as that of the systems which store, process and/ or transmit it;
- The continuity of the Company's business activity and the services it provides to clients;
- In extreme cases, the physical security both of the facilities and of the people.

The Company relies on the Fortegra Group IT infrastructure and the various IT systems of its key service providers. The Group is responsible for ensuring IT maintains PCI, SOX and regulatory compliance, while establishes policies and procedures that protect the Company against IT risks, including unauthorized access to information, data integrity issues and emerging cybersecurity threats.

## Group risk

The Group has assumed no additional capital requirement for group risk due to the simplicity of the Group structure and the risk mitigations in place. The Group views the operational risk capital requirement of the Company as sufficient to appropriately cover group risk. There is only subsidiary company within the Group, being Fortegra Europe Insurance Company Limited. Given the structure of Fortegra Europe Holdings Limited and the current state of the business, group risk is deemed to be immaterial.

## Strategic risk

The Company aims to operate an appropriate framework for limiting the possibility of strategic risk which could arise from inappropriate business decisions or the implementation of such decisions or a lack of consideration of the wider markets in which the Company operates. The Company sets a high level business strategy which is translated into a three year financial business plan, a volume plan by distribution channel and a detailed one-year budget. Performance both against budget and volume plan are reviewed quarterly.

## Brexit

The Board will continue to monitor the impact of Brexit to ensure that prompt mitigation action can be taken at the appropriate time were this to become necessary due to any adverse Brexit related consequences.

The Insurance Company currently participates in the Temporary Permissions Regime (TPR) for inbound passporting EEA Firms, as well progressing its application to open a UK Branch in order to maintain access to the UK market post completion of Brexit.



## C.6 Any other information

### Stress and scenario tests

The purpose of such stress and scenario tests is to determine the areas of greatest risks to the financial wellbeing of the Company. These tests allow the Board to consider the impact on the internal view of required capital and to plan any actions that may be required.

Under the ORSA process, the Board of Fortegra have directed a number of scenario tests to be carried out, a summary of which is provided below.

#### **Scenario 1: Volumes outperform business plan**

As the company only commenced underwriting in Q4 2018, the volumes of business expected to be written in future years are subject to significant uncertainty. The purpose of this scenario is to establish the effect on the overall solvency capital requirement and available capital from a 20% increase in business volumes written over the next 3 years, above those forecast in the business plan. In this scenario, at no point during the next 3 years would the solvency ratio of the company drop to below the target of 120%.

#### **Scenario 2: Pessimistic business plan**

The aim of the second scenario is to establish the effect on the overall solvency capital requirement of a 20% decrease in business volumes written over the next 3 years. In this scenario, it was assumed that business volumes are 20% lower than expected from 1<sup>st</sup> January 2021, with the volumes of business written in the next subsequent years also assumed to be 20% lower than expected. In this scenario, at no point during the next 3 years would the solvency ratio of the company drop to below the target of 120%.

#### **Scenario 3: Downgrade of The Company's primary bank credit rating from A range to BB**

The company currently holds almost all of its cash resources at one bank, which currently has long term issuer credit ratings from the major rating agencies which are in the A range. The company is therefore exposed to counterparty default risk from this entity and it is prudent to investigate the impact of this entity having its credit rating downgraded. The company has therefore considered a credit rating downgrade to the BB range.

The increased probability of default increases the projected SCR, as would be expected, but only by a relatively marginal amount. The Solvency Ratio target of 120% would still be comfortably met in all years.

**Scenario 4: Failure of the companies largest Outsourced Service Provider**

This scenario is based on the possibility that Fortegra's largest TPA is required to cease operating due to becoming financially insolvent, fraud issues or regulatory sanctioning. The business with the TPA is assumed to cease at the end of 2020.

In the modelled scenario the adverse impacts of this for Fortegra comprise:

- Loss of debt (outstanding premiums owed to Fortegra as well as the associated premium tax);
- Potential recourse from repairers for outstanding repair costs;
- Costs associated with transferring the existing book of business to an alternative TPA

The results of the modelled scenario illustrate a reduction in the Solvency Ratio, however, the Solvency Ratio target of 120% would still be comfortably met in all years.

**Scenario 5: A combination of weaker than expected volumes and increased loss ratios**

This scenario considers the combined effect of business volumes underperforming the plan by 10% and loss ratios being higher than plan in both 2021 and 2022. Such a scenario could be consistent with the present weakness of the global economy (as a consequence of the impact of the COVID-19 pandemic) overlaid with hypothetical higher rates of claims for some of Fortegra's product lines.

The stress to the loss ratios leads to a decline in the Solvency Ratio, although the Solvency Ratio target of 120% would still be comfortably met in all years.

**Scenario 6: An increase in loss ratios with business volumes remaining in line with plan**

This scenario considers the isolated effect of loss ratios being higher than plan in both 2021 and 2022. Such a scenario could be consistent with the present weakness of the global economy (as a consequence of the impact of the COVID-19 pandemic) combined with potentially higher claims for some of Fortegra's product lines. However, in contrast to scenario 5 the impact on Solvency is not mitigated by lower business volumes.

The stress to the loss ratios lead to a decline in the Solvency Ratio, although it remains above the target of 120%.

**Scenario 7: A combination of higher than expected volumes and increased loss ratios**

This scenario considers the combined effect of business volumes out performing the plan by 10% and loss ratios being higher than plan in both 2021 and 2022. Such a scenario could potentially be consistent with an aggressive growth strategy.

The stress to the loss ratios lead to a decline in the Solvency Ratio, in particular in 2021 to below the 120% threshold. The combination of increased loss ratios and higher volumes places the most strain on the available capital buffer above capital requirements.

However, even in this scenario for the weakest year, 2021, there remains a surplus of available capital above SCR. The available capital is also substantially in excess of the Minimum Capital Requirement.

## **D. VALUATION FOR SOLVENCY PURPOSES**

## D. VALUATION FOR SOLVENCY PURPOSES

### D.1 Assets

The below are the main differences between the measurement of assets under Solvency II (“Solvency value”) and IFRS (“Accounting value”) as at 31 December, 2020.

It must be noted that the balance sheet presented is in-line with the Solvency II regulations, and therefore it was necessary to re-classify data included under certain headings in the financial statements to different headings as presented under “Accounting value” in the table below.

Assets	Solvency II Value 2020 (USD)	Accounting Value 2020 (USD)
Deferred acquisition costs	-	22,066,696
Deferred tax assets	-	65,541
Insurance and intermediaries receivables	5,077,183	5,077,183
Reinsurance best estimates	963,967	603,069
Collective investments undertakings	63,888,799	63,888,799
Cash and cash equivalents	18,628,344	18,628,344
Any other assets, not elsewhere shown	-	1,016,157
<b>TOTAL ASSETS</b>	<b>88,558,293</b>	<b>111,345,789</b>

Below are the explanations of the key asset valuation differences in the table above:

#### Deferred acquisition costs

Under IFRS, acquisition costs can be deferred whilst for Solvency II, reserving expenses are not deferred but are taken into account fully in the technical provisions.

#### Deferred tax assets

Deferred taxes are measured under Solvency II as the amounts reported in the audited financial statements as adjusted by the tax impact (at different applicable rates) on the difference between the values assigned to assets and liabilities for solvency purposes and their carrying values as recognised in the financial statements and valued for tax purposes.

Under IFRS, deferred taxes are calculated on all temporary differences using a principal tax rate of 5% with the exception of investment property and freehold and other property for which deferred income taxes may be calculated using a principal tax rate of 8% or 10% of the carrying amount.

The differences between the Solvency II and IFRS value of the deferred tax assets arose due to

the Insurance Company not recognising a deferred tax asset in the SII Balance Sheet until future profits can be demonstrated.

**Insurance and intermediaries receivables**

Insurance and intermediaries receivables represent the amounts past due for payments by insurers and other insurance-linked business. These payments are not included in the cash inflows of technical provisions.

**Reinsurance best estimates**

The "best estimate" for reinsurance is based on the following principles:

- It relates to future claims recoverable, or those which take place subsequent to the valuation date, within the remaining claim coverage period;
- It is calculated as the present value of expected cash flows associated with the current portfolio, in accordance with contract boundaries;
- Projected cash flows will include payments for benefits and related expenses: administration, acquisition, claim management, and investment management;
- The best estimate takes into account the time value of money based on an analysis of claim inflows and outflows.

**Collective investments undertakings**

Investments represents amounts in a money market fund, corresponding to highly liquid short-term investments that can be easily converted to fixed amounts of cash and have an insignificant risk of changes in value.

**Cash and cash equivalents**

Cash includes cash in hand. For the purposes of the Solvency II balance sheet, cash and cash equivalents have been valued in accordance with IFRS.

**Any other assets, not elsewhere shown**

The difference between the IFRS value and the Solvency II value of USD1,016,157 relates to prepayments and intercompany balances which are usually not recognised under Solvency II, unless the asset could be recognised and transferred to a third party.

## D.2 Technical provisions

The below are the main differences between the valuation of technical provisions under Solvency II and IFRS:

<b>Technical provisions</b>	<b>Solvency II Value 2020 (USD)</b>	<b>Accounting Value 2020 (USD)</b>
Technical provisions non-life	-	57,473,636
Best Estimate (BE)	45,036,352	-
Risk Margin (RM)	1,525,902	-
<b>TOTAL TECHNICAL PROVISIONS</b>	<b>46,562,254</b>	<b>57,473,636</b>

Following are the qualitative explanations of the key technical provision valuation differences using Solvency II criteria and those used during the preparation of the financial statements. In general terms, the main difference between the two valuation methods is the criteria framework under which each regulation falls. While under Solvency II, technical provisions are measured using market economic criteria, for financial statements, technical provisions are calculated based on accounting standards.

The Solvency II Directive 2009/138/EC stipulates that the value of technical provisions shall be equal to the sum of a best estimate and a risk margin. To calculate the solvency ratio, the Group does not make use of matching and volatility adjustments, or transitional measures for technical provisions.

### **Best estimate of the provision for claims outstanding**

The "best estimate" for the provision for claims outstanding is based on the following principles:

- Taking into account all claims which have been incurred prior to the valuation date, regardless of whether they have been reported or not;
- It is calculated as the present value of expected future cash flows associated with the incurred claim. Projected cash flows will include payments for benefits and related expenses;
- Should there be any liabilities transferred to a counterparty, the recoverable amounts are adjusted to factor in the expected losses due to default of the counterparty;
- The best estimate considers the time value of money based on the consideration of the claim inflows and outflows.

The claim provisions in the financial statements include the provision for outstanding claims reported. The claim provisions calculated based on Solvency II criteria present the following differences with respect to those calculated based on financial statement requirements:

- The elimination of prudence margins. Using accounting standards, a certain prudence

margin is generally applied to provisions to cover possible unfavourable deviations of outstanding claims. However, under Solvency II, the calculation of the claims provision must be made without including any prudence margins;

- The consideration of all cash flow sources;
- The counterparty default risk adjustment to reinsurance recoverable amounts;
- The financial discount of cash flows.

### **Best estimate of the provision for premiums**

The "best estimate" for the premium provision is based on the following principles:

- It relates to future claims, or those which take place subsequent to the valuation date, within the remaining claim coverage period;
- It is calculated as the present value of expected cash flows associated with the current portfolio, in accordance with contract boundaries;
- Projected cash flows will include payments for benefits and related expenses: administration, acquisition, claim management, and investment management;
- Should there be any liabilities transferred to a counterparty, the recoverable amounts are adjusted to consider the expected losses due to default of the counterparty.
- The best estimate takes into account the time value of money based on an analysis of claim inflows and outflows.

As indicated previously, the calculation of this provision is comprised of the cash flows corresponding to two portfolios:

- Current portfolio which includes the following:
  - Expected claims. Two different methods may be used to calculate the present value of benefit payments:
    - ✓ The frequency and average cost method: claims are calculated as the result of exposure based on frequency assumptions and final average costs;
    - ✓ Loss ratio method: the expected claims arising from applying the ultimate loss ratio to Unearned Premium Reserve (UPR), gross of acquisition expenses.
  - Expenses attributable to the current portfolio: acquisition (no commissions), administration, chargeable to benefits, investment expenses, as well as other technical expenses.
- Future business which includes the following
  - Premiums for policies, which have not yet been renewed but include company commitments to renew. This calculation includes the future behaviour of the policyholders based on the application of an estimated lapse ratio;



- Expected loss ratio relating to future premiums. The same methods indicated for the current portfolio may be used;
- Expenses attributable to future premiums (charged expense-to-premium ratio applied to future premiums): acquisition expenses (including commissions), administration, chargeable to benefits, investment expenses, as well as other technical expenses.

Under IFRS, this provision is recognised under the unearned premium reserve, which is calculated on a policy-by-policy basis, reflecting the premium rate on a pro-rata temporary basis for the unearned period of such policies and complemented by the unexpired risk provision calculated segment-by-segment where applicable. The provision supplements the unearned premium reserve with an amount by which the future contractual cash flows arising from such reserve exceed the same reserve.

### **Risk margin**

The risk margin is the cost of providing the capital to cover the SCR over the lifetime of the liabilities. It is intended to ensure that the value of the technical provisions is equivalent to the amount that an insurer would be expected to require in order to take over and meet the insurance obligations.

The calculation of the risk margin complies with the technical specifications set in Articles 37 to 39 of the Delegated Acts.

### **Degree of uncertainty associated with the amount of technical provisions**

The value of technical provisions is directly linked to estimates and projections for future cash flows, which might be subject to a number of factors of uncertainty, which are mainly the following:

- The probability that the obligation will materialise with regard to future cash flows;
- The timing of the claim;
- Potential amount of the future cash flows;
- The risk-free interest rate.

These factors are generally estimated based on expert opinions within the area, or using market data.

## D.3 Other liabilities

The below are the main differences between the measurement of other liabilities under Solvency II and IFRS:

Other liabilities	Solvency II Value 2020 (USD)	Accounting Value 2020 (USD)
<b>Total technical provisions</b>	<b>46,562,254</b>	<b>57,473,636</b>
Insurance and intermediaries payables	7,636,204	7,636,204
Deferred tax liabilities	-	591,924
Payables (trade, not insurance)	851,641	851,641
Any other liabilities, not elsewhere shown	-	-
<b>TOTAL LIABILITIES</b>	<b>55,050,099</b>	<b>66,553,405</b>

### Insurance and intermediaries payables

For the purpose of the Solvency II balance sheet, the valuation is considered consistent with that under IFRS, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions under mutually-independent conditions.

### Deferred tax liabilities

Deferred tax liabilities arise due to the differences between accounting carrying value and tax carrying value of items on the balance sheet. Deferred tax is measured using tax rates expected to apply when the related deferred tax liability is settled, based on tax rates and laws which have been enacted or substantively enacted.

### Payables (trade, not insurance)

This section includes other payables unrelated to the insurance business. For the purposes of the Solvency II balance sheet, the valuation is considered consistent with that under IFRS, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions under mutually-independent conditions.

### Any other liabilities, not elsewhere shown

“Any other liabilities, not elsewhere shown” include accruals for the period. For the purpose of the Solvency II balance sheet, the valuation is considered consistent with that under IFRS, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions under mutually-independent conditions.

## **D.4 Alternative methods for valuation**

No alternative valuation methods have been used.

## **D.5 Any other information**

There is no other significant information regarding the valuation of assets and liabilities that has not been included in the preceding sections.

## **E. CAPITAL MANAGEMENT**

## E. CAPITAL MANAGEMENT

### E.1 Own funds

#### Equity objectives, policies and management processes

The Capital Management Policy aims to establish standards for the efficient management of capital, to meet the needs of the business in consideration of the overall objectives of the Company. This includes the capital required to support the risk appetite identified in the risk policies of the Company together with a margin for safety, in full compliance with the regulatory requirements.

This Policy, together with the methods of assessment of capital adequacy will be reviewed at least annually by the Board, to ensure its ongoing fitness for purpose. The Board will consider any recommendations arising from the review and will approve any proposed revision before it becomes effective.

Capital management is the collection of processes and activities undertaken to ensure that sufficient capital and reserves (including risk based capital) are maintained, in an economic fashion to ensure the undertaking's ability to meet liabilities particularly in the case of losses arising from adverse events.

Capital management includes the assessment of capital required to support the plans and objectives of the Company, the structure of its equity and retained earnings, arrangements to secure capital, and the ongoing monitoring of capital against business requirements, as well as the assessments required by the MFSA, including future Solvency II requirements.

Should the eligible capital be insufficient at any time during the period covered in the three-year projections, in line with the ORSA, the Company should propose future management measures to remedy such insufficiency and maintain the solvency levels within the levels established in the applicable regulations and the risk appetite.

The medium-term capital management plan prepared by the Company must at least take into account the following:

- a) The capital required to support the existing business and profit targets;
- b) Regulatory capital requirements, based on relevant solvency frameworks for the respective future planning period, particularly the MCR and the SCR over the planning period and the capital requirements as projected by the ORSA;
- c) The planned dividends, if any, and their impact on eligible capital.

During 2020, there were no significant changes to the objectives, policies and processes used to manage the Company's own funds.

## Structure, amount, and quality of own funds

As stipulated in the Solvency II regulations, own funds are classified as either basic or ancillary. They are also classified by Tiers (1, 2, or 3) depending on the characteristics determining their availability to absorb losses.

Tier 1 'own funds' include ordinary share capital, non-cumulative preference shares and relevant sub-ordinated liabilities. All distributions on tier 1 items must be cancelled in the event of a breach of the SCR and repayment of principal must be suspended. Preference shares and sub-ordinated debt will be subject to a new 'loss absorption' requirement which could involve writing off all amounts owed by the insurer. Instruments which do not meet the tier 1 requirements on permanence or loss absorbency may still be categorised as tier 2 or tier 3 items.

As at 31 December, 2020, the unrestricted basic Tier 1 own funds of the Company consist of ordinary share capital additional capital contributions and the reconciliation reserve.

Tier 2 'own funds' are likely to include cumulative preference shares, and sub-ordinated liabilities with a shorter duration. As at 31 December, 2020, the Company had no tier 2 'own funds'.

Tier 3 'own funds' are intended (by the Solvency II Directive) to catch own funds which do not satisfy the tier 1 or tier 2 requirements but it appears (from the 5 year minimum duration), and the requirement for supervisory approval before redemption, that there may be other requirements for tier 3 instruments. As at 31st December, 2020, the Company had no tier 3 'own funds'.

All of the own funds of the Company are basic own funds. There are no limitations on their eligibility to cover the SCR and MCR and have the maximum availability for absorbing losses. None of the own fund items required supervisory approval.

The following reflects the structure, amount and quality of own funds, as well as the Company's coverage ratios i.e. the ratio of eligible own funds to SCR and MCR:

**Own funds**

	2020				2019					
	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35										
Ordinary share capital (gross of own shares)	R0010	1,430,000	1,430,000			1,430,000.00	1,430,000			
Shares premium account related to ordinary share capital	R0030									
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040									
Subordinated mutual member accounts	R0050									
Surplus funds	R0070									
Preference shares	R0090									
Share premium account related to preference shares	R0110									
Reconciliation reserve	R0130	-6,047,013	-6,047,013			-2,221,032	-2,221,032			
Subordinated liabilities	R0140									
An amount equal to the value of net deferred tax assets	R0160									
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	32,065,206	32,065,206			25,439,975	25,439,975			
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										
Deductions	R0220									
Deductions for participations in financial and credit institutions	R0230	0	0			0	0			
Total basic own funds after deductions	R0290	33,508,193	33,508,193			30,768,883	30,768,883			
Auxiliary own funds										
Unpaid and uncalled ordinary share capital callable on demand	R0300									
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310									
Unpaid and uncalled preference shares callable on demand	R0320									
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330									
Letters of credit and guarantees under Article 36(2) of the Directive 2009/138/EC	R0340									
Letters of credit and guarantees other than under Article 36(2) of the Directive 2009/138/EC	R0350									
Supplementary members calls under first subparagraph of Article 36(3) of the Directive 2009/138/EC	R0360									
Supplementary members calls - other than under first subparagraph of Article 36(3) of the Directive 2009/138/EC	R0370									
Other auxiliary own funds	R0390									
Total auxiliary own funds	R0400									
Available and eligible own funds										
Total available own funds to meet the SCR	R0500	33,508,193	33,508,193			30,768,883	30,768,883			
Total available own funds to meet the MCR	R0510	33,508,193	33,508,193			30,768,883	30,768,883			
Total eligible own funds to meet the SCR	R0540	33,508,193	33,508,193			30,768,883	30,768,883			
Total eligible own funds to meet the MCR	R0550	33,508,193	33,508,193			30,768,883	30,768,883			
SCR	R0580	20,474,856				14,350,278				
MCR	R0600	8,492,273				5,801,042				
Ratio of Eligible own funds to SCR	R0620	2				214.41%				
Ratio of Eligible own funds to MCR	R0640	4				530.40%				



## Analysis of changes in Own Funds

The main movements that arose in the year are detailed in the table below:

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total basic own funds after deductions 2019	30,768,883	30,768,883			
Additional capital contribution	6,565,231	6,565,231			
Change in Reconciliation reserve (see table below)	(3,825,921)	(3,825,921)			
Change in amount equal to the value of net deferred tax assets					
Total basic own funds after deductions 2020	33,508,193	33,508,193			

## Reconciliation Reserve

		2020	2019
Reconciliation reserve			
Excess of assets over liabilities	R0700	33,508,193	30,768,883
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	33,555,206	32,363,975
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	R0760	-6,047,013	-2,221,032
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770		
Expected profits included in future premiums (EPIFP) - Non-life business	R0780		
Total Expected profits included in future premiums (EPIFP)	R0790		

## Difference between the equity in the financial statements and the excess of assets over liabilities for Solvency II purposes

When valuing assets and liabilities for the purposes of Solvency II, different criteria are used from those applied when preparing the financial statements. The above criteria differences lead to differences between the equity stated in the financial statements and excess of assets over liabilities for Solvency II purposes.

As at 31<sup>st</sup> December 2020, the excess of assets over liabilities for Solvency II purposes amounted to USD33.5 million, while equity in the financial statements totalled USD44.8 million.

The main adjustments that arise from the reconciliation of equity in the financial statements and own funds under Solvency II may be observed below:

	<b>Total</b>
	<b>2020</b>
Equity (IFRS value)	44,792,383
<b>Difference in valuation of assets</b>	
Deferred acquisition costs (DAC)	(22,066,696)
Deferred tax asset	(65,541)
Any other assets, not elsewhere shown	(1,016,157)
Reinsurance Best Estimate	360,897
<b>Difference in the valuation of liabilities</b>	
Technical provisions	10,911,382
Tax liabilities	591,924
Excess of assets over liabilities	<b>33,508,193</b>

The quantitative and qualitative explanations are provided in Sections D.1 Assets, D.2 Technical Provisions and D.3 Other liabilities, in this report.

## E.2 Solvency capital requirement (SCR) and minimum capital requirement (MCR)

### General principles

Solvency II provides for two separate levels of solvency capital requirements: (i) the Minimum Capital Requirement (MCR), which applies at Company level and is the amount of own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk should the insurance companies be allowed to continue its operations, and (ii) the Solvency Capital Requirements (SCR), which applies at both company and group level and corresponds to the level of eligible own funds that enables insurance companies to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made when due.

### Solvency Capital Requirement (SCR)

The SCR corresponds to the own funds that the Company must hold to limit the probability of bankruptcy to one case per 200, or that the Company is still 99.5% able to meet its commitments to insurance beneficiaries or policyholders during the following year.

As stipulated in the Solvency II Directive, all the unrestricted basic Tier 1 own funds are eligible to cover the SCR.

The Company's SCR Ratio is equal to 163.7%. The solvency ratio measures the relationship between the eligible own funds and the solvency capital requirements, and was calculated using the standard formula. The ratio shows the Company's significant capital buffer to absorb extraordinary losses deriving from a 1-in-200 year adverse scenario.

The Solvency Capital Requirement (SCR) at risk module level and calculated using the Standard Formula is set out below:

<b>Gross Solvency Capital Requirement</b>	<b>Amount USD 2020</b>
Market risk	1,548,489
Counterparty default risk	1,917,944
Life underwriting risk	0
Health underwriting risk	0
Non-life underwriting risk	17,626,757
Diversification	(1,969,425)
Intangible asset risk	
<b>Basic Solvency Capital Requirement</b>	<b>19,123,765</b>

<b>Calculation of Solvency Capital Requirement</b>	<b>Amount USD 2020</b>	<b>Amount USD 2019</b>
Adjustment due to RFF/MAP nSCR aggregation		
Operational risk	1,351,091	757,396
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		
Solvency Capital Requirement excluding capital add-on	20,474,856	14,350,278
Capital add-on already set		
Solvency capital requirement	20,474,856	14,350,278
Other information on SCR		
Capital requirement for duration-based equity risk sub-module		
Total amount of Notional Solvency Capital Requirements for remaining part		
Total amount of Notional Solvency Capital Requirements for ring fenced funds		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios		
Diversification effects due to RFF nSCR aggregation for article 304		
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation		
Net future discretionary benefits		

## Minimum Capital Requirement (MCR)

The MCR is the minimum level of security under which financial resources should never fall. When the amount of eligible basic own funds falls below the MCR, the policyholders and beneficiaries are exposed to an unacceptable level of risk, should the Company continue with its business.

All the basic unrestricted Tier 1 own funds are eligible to cover the MCR.

The ratio of eligible own funds to MCR is equal to 394.6%.

Overall MCR Calculation	Amount USD 2020	Amount USD 2019
Linear MCR	8,492,273	5,801,042
SCR	20,474,856	14,350,278
MCR cap	9,213,685	6,457,625
MCR floor	5,118,714	3,587,569
Combined MCR	8,492,273	5,801,042
Absolute floor of the MCR	3,068,991	2,808,500
Minimum Capital Requirement	8,492,273	5,801,042

## Analysis of changes in Capital requirement

The main contributor for the capital requirements is Non-Life Insurance Risk which contributes \$17.6m pre-diversification. This relates principally to the Premium Risk arising from unearned premium and expected future business within Fortegra's business plan.

The SCR for counterparty default risk is \$1.9m pre-diversification and arises from Fortegra's holding of £18.6m in cash mainly at one A rated bank.

The SCR for market risk is \$1.5m pre-diversification and arises from Fortegra's ETF Fund Investments giving rise to spread and concentration risk. Currency risk relates to the balance of Net assets in the non-reporting currencies of EUR, GBP, CZK, PLN and HUF.

Operational risk is calculated as a factor applied to the gross best estimate SII claims and premium provisions (as per standard formula).

## Other information

### **Items deducted from own funds**

The Company did not deduct any items from own funds.

### **Own funds issued and instruments surrendered**

The Company did not issue or surrender any own fund instruments during 2020.

### **Transitional measures**

The Company did not consider any basic own-fund items subject to the transitional arrangements referred to in Article 308b(9) and 308b(10) of the Solvency II Directive 2009/138/EC to be applicable.

### **E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

The Company did not use the duration-based equity risk sub-module set out in Article 304 of the Solvency II Directive 2009/138/EC for the calculation of its Solvency Capital Requirement.

## **E.4 Difference between the standard formula and any internal model used**

The Company does not make use of internal models in its Solvency calculations, but follows the Solvency II Standard formula.



## **E.5 Non-compliance with the Minimum Capital Requirement and Non-compliance with the Solvency Capital Requirement**

As at 31 December, 2020, the Company had a good solvency position and therefore, it was considered unnecessary to adopt any other action or corrective measure.

## **E.6 Any other information**

There is no other information regarding the management of capital that has not been included in the preceding sections.

## **APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES**



**SE.01.01.16.01 - Content of the submission**

		Columns	
		C0010	
Rows			
<b>Template Code - Template name</b>			
<a href="#">S.01.02.01 - Basic information - General</a>	R0010	Reported	
<a href="#">S.01.03.01 - Basic information - RFF and matching adjustment portfolios</a>	R0020	Not reported as no RFF or MAP	
<a href="#">SE.02.01.16 - Balance Sheet</a>	ER0030	Reported	
<a href="#">S.02.02.01 - Assets and liabilities by currency</a>	R0040	Reported	
<a href="#">S.03.01.01 - Off-balance sheet items - general</a>	R0060	Not reported as no off-balance sheet items	
<a href="#">S.03.02.01 - Off-balance sheet items - List of unlimited guarantees received by the undertaking</a>	R0070	Not reported as no unlimited guarantees received	
<a href="#">S.03.03.01 - Off-balance sheet items - List of unlimited guarantees provided by the undertaking</a>	R0080	Not reported as no unlimited guarantees provided	
<a href="#">S.04.01.01 - Activity by country</a>	R0090	Reported	
<a href="#">S.04.02.01 - Information on class 10 in Part A of Annex I of Solvency II Directive, excluding carrier's liability</a>	R0100	Not reported as no activity outside the home country in relation to specific class	
<a href="#">S.05.01.01 - Premiums, claims and expenses by line of business</a>	R0110	Reported	
<a href="#">S.05.02.01 - Premiums, claims and expenses by country</a>	R0120	Reported	
<a href="#">S.06.01.01 - Summary of assets</a>	R0130	Not due as S.06.02 and S.08.01 reported annually	
<a href="#">SE.06.02.16 - List of assets</a>	ER0140	Reported	
<a href="#">S.06.03.01 - Collective investment undertakings - look-through approach</a>	R0150	Reported	
<a href="#">S.07.01.01 - Structured products</a>	R0160	Not reported as no structured products	
<a href="#">S.08.01.01 - Open derivatives</a>	R0170	Not reported o/a no derivative transactions	
<a href="#">S.08.02.01 - Derivatives Transactions</a>	R0180	Not reported o/a no derivative transactions	
<a href="#">S.09.01.01 - Income/gains and losses in the period</a>	R0190	Reported	
<a href="#">S.10.01.01 - Securities lending and repos</a>	R0200	Not reported as no Securities lending and repos	
<a href="#">S.11.01.01 - Assets held as collateral</a>	R0210	Not reported as no Assets held as collateral	
<a href="#">S.12.01.01 - Life and Health SLT Technical Provisions</a>	R0220	Not reported o/a no life and health SLT business	
<a href="#">S.12.02.01 - Life and Health SLT Technical Provisions - by country</a>	R0230	Not reported o/a no life and health SLT business	
<a href="#">S.13.01.01 - Projection of future gross cash flows</a>	R0240	Not reported o/a no life and health SLT business	
<a href="#">S.14.01.01 - Life obligations analysis</a>	R0250	Not reported o/a no life and health SLT business	
<a href="#">S.15.01.01 - Description of the guarantees of variable annuities</a>	R0260	Not reported as no variable annuities	
<a href="#">S.15.02.01 - Hedging of guarantees of variable annuities</a>	R0270	Not reported as no variable annuities	
<a href="#">S.16.01.01 - Information on annuities stemming from Non-Life Insurance obligations</a>	R0280	Not reported as no annuities stemming from Non-Life Insurance obligations	
<a href="#">S.17.01.01 - Non-Life Technical Provisions</a>	R0290	Reported	
<a href="#">S.17.02.01 - Non-Life Technical Provisions - By country</a>	R0300	Reported	
<a href="#">S.18.01.01 - Projection of future cash flows (Best Estimate - Non Life)</a>	R0310	Reported	
<a href="#">S.19.01.01 - Non-life insurance claims</a>	R0320	Reported	
<a href="#">S.20.01.01 - Development of the distribution of the claims incurred</a>	R0330	Reported	
<a href="#">S.21.01.01 - Loss distribution risk profile</a>	R0340	Reported	
<a href="#">S.21.02.01 - Underwriting risks non-life</a>	R0350	Reported	
<a href="#">S.21.03.01 - Non-life distribution of underwriting risks - by sum insured</a>	R0360	Reported	
<a href="#">S.22.01.01 - Impact of long term guarantees measures and transitionals</a>	R0370	Not reported as no LTG measures or transitional are applied	
<a href="#">S.22.04.01 - Information on the transitional on interest rates calculation</a>	R0380	Not reported as no such transitional measure is applied	
<a href="#">S.22.05.01 - Overall calculation of the transitional on technical provisions</a>	R0390	Not reported as no such transitional measure is applied	
<a href="#">S.22.06.01 - Best estimate subject to volatility adjustment by country and currency</a>	R0400	Not reported as volatility adjustment not applied	
<a href="#">S.23.01.01 - Own funds</a>	R0410	Reported	
<a href="#">S.23.02.01 - Detailed information by tiers on own funds</a>	R0420	Reported	
<a href="#">S.23.03.01 - Annual movements on own funds</a>	R0430	Reported	
<a href="#">S.23.04.01 - List of items on own funds</a>	R0440	Reported	
<a href="#">S.24.01.01 - Participations held</a>	R0450	Not reported as no participations held	
<a href="#">S.25.01.01 - Solvency Capital Requirement - for undertakings on Standard Formula</a>	R0460	Reported as standard formula is used	
<a href="#">S.25.02.01 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model</a>	R0470	Not reported o/a full use of Standard Formula	
<a href="#">S.25.03.01 - Solvency Capital Requirement - for undertakings on Full Internal Models</a>	R0480	Not reported o/a full use of Standard Formula	
<a href="#">S.26.01.01 - Solvency Capital Requirement - Market risk</a>	R0500	Reported	
<a href="#">S.26.02.01 - Solvency Capital Requirement - Counterparty default risk</a>	R0510	Reported	
<a href="#">S.26.03.01 - Solvency Capital Requirement - Life underwriting risk</a>	R0520	Not reported as risk not existent	
<a href="#">S.26.04.01 - Solvency Capital Requirement - Health underwriting risk</a>	R0530	Not reported as risk not existent	
<a href="#">S.26.05.01 - Solvency Capital Requirement - Non-Life underwriting risk</a>	R0540	Reported	
<a href="#">S.26.06.01 - Solvency Capital Requirement - Operational risk</a>	R0550	Reported	
<a href="#">S.26.07.01 - Solvency Capital Requirement - Simplifications</a>	R0560	Not reported as no simplified calculations used	
<a href="#">S.27.01.01 - Solvency Capital Requirement - Non-life and Health catastrophe risk</a>	R0570	Reported	
<a href="#">S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity</a>	R0580	Reported	
<a href="#">S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity</a>	R0590	Not reported as only life or only non-life insurance or reinsurance activity or only reinsurance activity	
<a href="#">S.29.01.01 - Excess of Assets over Liabilities</a>	R0600	Reported	
<a href="#">S.29.02.01 - Excess of Assets over Liabilities - explained by investments and financial liabilities</a>	R0610	Reported	
<a href="#">S.29.03.01 - Excess of Assets over Liabilities - explained by technical provisions</a>	R0620	Reported	
<a href="#">S.29.04.01 - Detailed analysis per period - Technical flows versus Technical provisions</a>	R0630	Reported	
<a href="#">S.30.01.01 - Facultative covers for non-life and life business basic data</a>	R0640	Not reported as no facultative covers	
<a href="#">S.30.02.01 - Facultative covers for non-life and life business shares data</a>	R0650	Not reported as no facultative covers	
<a href="#">S.30.03.01 - Outgoing Reinsurance Program basic data</a>	R0660	Reported	
<a href="#">S.30.04.01 - Outgoing Reinsurance Program shares data</a>	R0670	Reported	
<a href="#">S.31.01.01 - Share of reinsurers (including Finite Reinsurance and SPV's)</a>	R0680	Reported	
<a href="#">S.31.02.01 - Special Purpose Vehicles</a>	R0690	Not reported as no Special Purpose Insurance Vehicles	
<a href="#">S.36.01.01 - IGT - Equity-type transactions, debt and asset transfer</a>	R0740	Not reported as no IGT on Equity-type transactions, debt and asset transfer	
<a href="#">S.36.02.01 - IGT - Derivatives</a>	R0750	Not reported as no IGT on Derivatives	
<a href="#">S.36.03.01 - IGT - Internal reinsurance</a>	R0760	Not reported as no IGT on Internal reinsurance	
<a href="#">S.36.04.01 - IGT - Cost Sharing, contingent liabilities, off BS and other items</a>	R0770	Not reported as no IGT on Cost Sharing, contingent liabilities, off BS and other items	
<a href="#">E.01.01.16 - Deposits to cedants - line-by-line reporting</a>	ER1000	Not reported as no reinsurance	
<a href="#">E.02.01.16 - Pension entitlements</a>	ER1010	Not reported as no pension entitlements	
<a href="#">E.03.01.16 - Non-life Technical Provisions - reinsurance policies - By country</a>	ER1020	Not reported as no reinsurance	

## Basic Information - General

### S.01.02.01.01 - Basic Information - General

		Columns
		C0010
Rows		
Undertaking name	R0010	Fortegra Europe Insurance Company Limited
Undertaking identification code and type of code	R0020	LEI/213800MSUL116VLGKZ71
Type of undertaking	R0040	Non-Life undertakings
Country of authorisation	R0050	MALTA
Language of reporting	R0070	English
Reporting submission date	R0080	08-04-2021
Financial year end	R0081	31-12-2020
Reporting reference date	R0090	31-12-2020
Regular/Ad-hoc submission	R0100	Regular reporting
Currency used for reporting	R0110	USD
Accounting standards	R0120	IFRS
Method of Calculation of the SCR	R0130	Standard formula
Use of undertaking specific parameters	R0140	Don't use undertaking specific parameters
Ring-fenced funds	R0150	Not reporting activity by RFF
Matching adjustment	R0170	No use of matching adjustment
Volatility adjustment	R0180	No use of volatility adjustment
Transitional measure on the risk-free interest rate	R0190	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	R0200	No use of transitional measure on technical provisions
Initial submission or re-submission	R0210	Initial submission
Exemption of reporting ECAI information	R0250	Not exempted
Direct URL to download the Solvency and Financial Condition Report (SFCR) corresponding to this financial year reporting obligation (R0090)	R0260	<a href="https://www.fortegra.eu/solvency-and-financial-condition-report">https://www.fortegra.eu/solvency-and-financial-condition-report</a>
Ad hoc XBRL technical field 1	R0990	
Ad hoc XBRL technical field 2	R0991	
Ad hoc XBRL technical field 3	R0992	

**SE.02.01.16.01 - Balance sheet**

		Columns		
		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Rows				
Assets				
Goodwill	R0010		0	
Deferred acquisition costs	R0020		22,066,696	
Intangible assets	R0030			
Deferred tax assets	R0040		65,541	
Pension benefit surplus	R0050			
Property, plant & equipment held for own use	R0060			
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	63,888,799	63,888,799	
Property (other than for own use)	R0080			
Holdings in related undertakings, including participations	R0090			
Equities	R0100			
Equities - listed	R0110			
Equities - unlisted	R0120			
Bonds	R0130			
Government Bonds	R0140			
Corporate Bonds	R0150			
Structured notes	R0160			
Collateralised securities	R0170			
Collective Investments Undertakings	R0180	63,888,799	63,888,799	
Derivatives	R0190			
Deposits other than cash equivalents	R0200			
Other investments	R0210			
Assets held for index-linked and unit-linked contracts	R0220			
Loans and mortgages	R0230			
Loans on policies	R0240			
Loans and mortgages to individuals	R0250			
Other loans and mortgages	R0260			
Reinsurance recoverables from:	R0270	963,967	603,069	
Non-life and health similar to non-life	R0280	963,967	603,069	
Non-life excluding health	R0290	963,967	603,069	
Health similar to non-life	R0300			
Life and health similar to life, excluding health and index-linked and unit-linked	R0310			
Health similar to life	R0320			
Life excluding health and index-linked and unit-linked	R0330			
Life index-linked and unit-linked	R0340			
Deposits to cedants	R0350			
Insurance and intermediaries receivables	R0360	5,077,183	5,077,183	
Reinsurance receivables	R0370			
Receivables (trade, not insurance)	R0380			
Own shares (held directly)	R0390			
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400			
Cash and cash equivalents	R0410	18,628,344	18,628,344	
Any other assets, not elsewhere shown	R0420		1,016,157	
Total assets	R0500	88,558,292	111,345,788	

**SE.02.01.16.01 - Balance sheet**

		Columns		
		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Liabilities				
Technical provisions - non-life	R0510	46,562,254	57,473,636	
Technical provisions - non-life (excluding health)	R0520	46,562,254	57,473,636	
Technical provisions calculated as a whole	R0530			
Best Estimate	R0540	45,036,352		
Risk margin	R0550	1,525,902		
Technical provisions - health (similar to non-life)	R0560			
Technical provisions calculated as a whole	R0570			
Best Estimate	R0580			
Risk margin	R0590			
Technical provisions - life (excluding index-linked and unit-linked)	R0600			
Technical provisions - health (similar to life)	R0610			
Technical provisions calculated as a whole	R0620			
Best Estimate	R0630			
Risk margin	R0640			
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650			
Technical provisions calculated as a whole	R0660			
Best Estimate	R0670			
Risk margin	R0680			
Technical provisions - index-linked and unit-linked	R0690			
Technical provisions calculated as a whole	R0700			
Best Estimate	R0710			
Risk margin	R0720			
Other technical provisions	R0730			
Contingent liabilities	R0740			
Provisions other than technical provisions	R0750			
Pension benefit obligations	R0760			
Deposits from reinsurers	R0770			
Deferred tax liabilities	R0780	0	591,924	
Derivatives	R0790			
Debts owed to credit institutions	R0800			
Debts owed to credit institutions resident domestically	ER0801			
Debts owed to credit institutions resident in the euro area other than domestic	ER0802			
Debts owed to credit institutions resident in rest of the world	ER0803			
Financial liabilities other than debts owed to credit institutions	R0810			
Debts owed to non-credit institutions	ER0811			
Debts owed to non-credit institutions resident domestically	ER0812			
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813			
Debts owed to non-credit institutions resident in rest of the world	ER0814			
Other financial liabilities (debt securities issued)	ER0815			
Insurance & intermediaries payables	R0820	7,636,204	7,636,204	
Reinsurance payables	R0830			
Payables (trade, not insurance)	R0840	851,641	851,641	
Subordinated liabilities	R0850			
Subordinated liabilities not in Basic Own Funds	R0860			
Subordinated liabilities in Basic Own Funds	R0870			
Any other liabilities, not elsewhere shown	R0880			
Total liabilities	R0900	55,050,099	66,553,405	
Excess of assets over liabilities	R1000	33,508,193	44,792,383	



## Premiums, claims and expenses by line of business

### S.05.01.01.01 - Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

Rows	Columns				
	Line of Business for: non-life insurance and			Total	
	Other motor insurance	Fire and other damage to	Miscellaneous financial loss		
	C0050	C0070	C0120	C0200	
Premiums written					
Gross - Direct Business	R0110	25,421,755	9,754,800	12,747,228	47,923,783
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140			3,029,071	3,029,071
Net	R0200	25,421,755	9,754,800	9,718,157	44,894,712
Premiums earned					
Gross - Direct Business	R0210	13,877,880	1,914,526	7,548,651	23,341,057
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240			2,680,816	2,680,816
Net	R0300	13,877,880	1,914,526	4,867,835	20,660,241
Claims incurred					
Gross - Direct Business	R0310	6,326,173	740,457	2,457,795	9,524,425
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340			799,833	799,833
Net	R0400	6,326,173	740,457	1,657,962	8,724,592
Changes in other technical provisions					
Gross - Direct Business	R0410				
Gross - Proportional reinsurance accepted	R0420				
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500				
Expenses incurred	R0550	6,220,883	1,245,373	1,854,864	9,321,120
Administrative expenses					
Gross - Direct Business	R0610				
Gross - Proportional reinsurance accepted	R0620				
Gross - Non-proportional reinsurance accepted	R0630				
Reinsurers' share	R0640				
Net	R0700				
Investment management expenses					
Gross - Direct Business	R0710				
Gross - Proportional reinsurance accepted	R0720				
Gross - Non-proportional reinsurance accepted	R0730				
Reinsurers' share	R0740				
Net	R0800				
Claims management expenses					
Gross - Direct Business	R0810				
Gross - Proportional reinsurance accepted	R0820				
Gross - Non-proportional reinsurance accepted	R0830				
Reinsurers' share	R0840				
Net	R0900				
Acquisition expenses					
Gross - Direct Business	R0910	5,014,177	782,338	1,393,988	7,190,503
Gross - Proportional reinsurance accepted	R0920				
Gross - Non-proportional reinsurance accepted	R0930				
Reinsurers' share	R0940			144,202	144,202
Net	R1000	5,014,177	782,338	1,249,786	7,046,301
Overhead expenses					
Gross - Direct Business	R1010	1,206,706	463,035	605,078	2,274,819
Gross - Proportional reinsurance accepted	R1020				
Gross - Non-proportional reinsurance accepted	R1030				
Reinsurers' share	R1040				
Net	R1100	1,206,706	463,035	605,078	2,274,819
Other expenses	R1200				
Total expenses	R1300				9,321,120

**S.05.01.01.02 - Life**

Rows		Line of Business for: life insurance	Life reinsurance obligations
		Annuities stemming from non-life insurance contracts and relating to	Health reinsurance
		C0250	C0270
Premiums written			
Gross	R1410		
Reinsurers' share	R1420		
Net	R1500		
Premiums earned			
Gross	R1510		
Reinsurers' share	R1520		
Net	R1600		
Claims incurred			
Gross	R1610		
Reinsurers' share	R1620		
Net	R1700		
Changes in other technical provisions			
Gross	R1710		
Reinsurers' share	R1720		
Net	R1800		
Expenses incurred	R1900		
Administrative expenses			
Gross	R1910		
Reinsurers' share	R1920		
Net	R2000		
Investment management expenses			
Gross	R2010		
Reinsurers' share	R2020		
Net	R2100		
Claims management expenses			
Gross	R2110		
Reinsurers' share	R2120		
Net	R2200		
Acquisition expenses			
Gross	R2210		
Reinsurers' share	R2220		
Net	R2300		
Overhead expenses			
Gross	R2310		
Reinsurers' share	R2320		
Net	R2400		
Other expenses	R2500		
Total expenses	R2600		
Total amount of surrenders	R2700		

5.05.02.01.01 - Home Country - non-life obligations

Rows	Columns	
	Home country	C0080
Premiums written		
Gross - Direct Business	R0110	
Gross - Proportional reinsurance accepted	R0120	
Gross - Non-proportional reinsurance accepted	R0130	
Reinsurers' share	R0140	
Net	R0200	
Premiums earned		
Gross - Direct Business	R0210	
Gross - Proportional reinsurance accepted	R0220	
Gross - Non-proportional reinsurance accepted	R0230	
Reinsurers' share	R0240	
Net	R0300	
Claims incurred		
Gross - Direct Business	R0310	
Gross - Proportional reinsurance accepted	R0320	
Gross - Non-proportional reinsurance accepted	R0330	
Reinsurers' share	R0340	
Net	R0400	
Changes in other technical provisions		
Gross - Direct Business	R0410	
Gross - Proportional reinsurance accepted	R0420	
Gross - Non-proportional reinsurance accepted	R0430	
Reinsurers' share	R0440	
Net	R0500	
Expenses incurred		
Other expenses	R1200	
Total expenses	R1300	

5.05.02.01.02 - Top 5 countries (by amount of gross premiums written) - non-life obligations

Country	Rows	Columns				
		Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations
		UNITED KINGDOM	IRELAND	SLOVAKIA	CZECHIA	POLAND
Premiums written	R0130					
Gross - Direct Business	R0130	38,578,811.00	943,558.00	1,052,103.00	4,958,049.00	2,023,436.00
Gross - Proportional reinsurance accepted	R0130					
Gross - Non-proportional reinsurance accepted	R0130					
Reinsurers' share	R0140	3,029,071.00				
Net	R0200	35,549,740.00	943,558.00	1,052,103.00	4,958,049.00	2,023,436.00
Premiums earned						
Gross - Direct Business	R0210	20,395,576.00	167,298.00	334,637.00	1,718,993.00	623,496.00
Gross - Proportional reinsurance accepted	R0220					
Gross - Non-proportional reinsurance accepted	R0230					
Reinsurers' share	R0240	2,460,816.00				
Net	R0300	17,934,760.00	167,298.00	334,637.00	1,718,993.00	623,496.00
Claims incurred						
Gross - Direct Business	R0310	9,004,211.00	35,445.00	15,860.00	343,779.00	92,292.00
Gross - Proportional reinsurance accepted	R0320					
Gross - Non-proportional reinsurance accepted	R0330					
Reinsurers' share	R0340	799,833.00				
Net	R0400	8,204,378.00	35,445.00	15,860.00	343,779.00	92,292.00
Changes in other technical provisions						
Gross - Direct Business	R0410					
Gross - Proportional reinsurance accepted	R0420					
Gross - Non-proportional reinsurance accepted	R0430					
Reinsurers' share	R0440					
Net	R0500					
Expenses incurred						
Other expenses	R1200	7,124,112.00	113,063.00	289,148.00	1,262,771.00	474,610.00
Total expenses	R1300					

5.05.02.01.03 - Total Top 5 and home country - non-life obligations

Rows	Columns	
	Total Top 5 and home country	C0140
Premiums written		
Gross - Direct Business	R0110	47,555,959.00
Gross - Proportional reinsurance accepted	R0120	
Gross - Non-proportional reinsurance accepted	R0130	
Reinsurers' share	R0140	3,029,071.00
Net	R0200	44,526,888.00
Premiums earned		
Gross - Direct Business	R0210	23,219,596.00
Gross - Proportional reinsurance accepted	R0220	
Gross - Non-proportional reinsurance accepted	R0230	
Reinsurers' share	R0240	2,680,816.00
Net	R0300	20,539,180.00
Claims incurred		
Gross - Direct Business	R0310	9,491,587.00
Gross - Proportional reinsurance accepted	R0320	
Gross - Non-proportional reinsurance accepted	R0330	
Reinsurers' share	R0340	799,833.00
Net	R0400	8,691,754.00
Changes in other technical provisions		
Gross - Direct Business	R0410	
Gross - Proportional reinsurance accepted	R0420	
Gross - Non-proportional reinsurance accepted	R0430	
Reinsurers' share	R0440	
Net	R0500	
Expenses incurred	R0500	9,245,704.00
Other expenses	R1200	
Total expenses	R1300	9,245,704.00

5.05.02.01.04 - Home Country - life obligations

Rows	Columns	
	Home country	C0270
Premiums written		
Gross	R1410	
Reinsurers' share	R1420	
Net	R1500	
Premiums earned		
Gross	R1510	
Reinsurers' share	R1520	
Net	R1600	
Claims incurred		
Gross	R1610	
Reinsurers' share	R1620	
Net	R1700	
Changes in other technical provisions		
Gross	R1710	
Reinsurers' share	R1720	
Net	R1800	
Expenses incurred	R1900	
Other expenses	R2500	
Total expenses	R2600	

5.05.02.01.05 - Top 5 countries (by amount of gross premiums written) - life obligations

Country	Rows	Columns	
		Country (by amount of gross premiums written)	C0230
Premiums written		R0010	
Gross		R1410	
Reinsurers' share		R1420	
Net		R1500	
Premiums earned			
Gross		R1510	
Reinsurers' share		R1520	
Net		R1600	
Claims incurred			
Gross		R1610	
Reinsurers' share		R1620	
Net		R1700	
Changes in other technical provisions			
Gross		R1710	
Reinsurers' share		R1720	
Net		R1800	
Expenses incurred		R1900	
Other expenses		R2500	
Total expenses		R2600	

5.05.02.01.06 - Total Top 5 and home country - life obligations

Rows	Columns	
	Total Top 5 and home country	C0280
Premiums written		
Gross	R1410	
Reinsurers' share	R1420	
Net	R1500	
Premiums earned		
Gross	R1510	
Reinsurers' share	R1520	
Net	R1600	
Claims incurred		
Gross	R1610	
Reinsurers' share	R1620	
Net	R1700	
Changes in other technical provisions		
Gross	R1710	
Reinsurers' share	R1720	
Net	R1800	
Expenses incurred	R1900	
Other expenses	R2500	
Total expenses	R2600	

S.17.01.01.01 - Non-Life Technical Provisions

Rows	Columns				
	Direct business and accepted proportional reinsurance			Total Non-Life obligation	
	Other motor insurance	Fire and other damage to property insurance	Miscellaneous financial loss		
	C0060	C0080	C0130	C0180	
Technical provisions calculated as a whole	R0010				
Direct business	R0020				
Accepted proportional reinsurance business	R0030				
Accepted non-proportional reinsurance	R0040				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross - Total	R0060	23,715,206	8,545,473	11,133,270	43,393,950
Gross - direct business	R0070	23,715,206	8,545,473	11,133,270	43,393,950
Gross - accepted proportional reinsurance business	R0080				
Gross - accepted non-proportional reinsurance business	R0090				
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	0	0	710,679	710,679
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	0	0	710,679	710,679
Recoverables from SPV before adjustment for expected losses	R0120				
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	710,532	710,532
Net Best Estimate of Premium Provisions	R0150	23,715,206	8,545,473	10,422,738	42,683,418
Claims provisions					
Gross - Total	R0160	744,039	303,123	595,241	1,642,403
Gross - direct business	R0170	744,039	303,123	595,241	1,642,403
Gross - accepted proportional reinsurance business	R0180	0	0	0	0
Gross - accepted non-proportional reinsurance business	R0190				
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	0	0	253,467	253,467
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	0	0	253,467	253,467
Recoverables from SPV before adjustment for expected losses	R0220				
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			253,435	253,435
Net Best Estimate of Claims Provisions	R0250	744,039	303,123	341,806	1,388,968
Total Best estimate - gross	R0260	24,459,245	8,848,596	11,728,511	45,036,352
Total Best estimate - net	R0270	24,459,245	8,848,596	10,764,545	44,072,386
Risk margin	R0280	846,843	306,362	372,697	1,525,902
Amount of the transitional on Technical Provisions					
TP as a whole	R0290				
Best estimate	R0300				
Risk margin	R0310				
Technical provisions - total					
Technical provisions - total	R0320	25,306,088	9,154,958	12,101,208	46,562,254
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330			963,967	963,967
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	25,306,088	9,154,958	11,137,241	45,598,287
Line of Business: further segmentation (Homogeneous Risk Groups)					
Premium provisions - Total number of homogeneous risk groups	R0350	10	10	6	
Claims provisions - Total number of homogeneous risk groups	R0360	10	10	6	
Cash-flows of the Best estimate of Premium Provisions (Gross)					
Cash out-flows					
Future benefits and claims	R0370	20,146,224	7,437,489	12,567,792	40,151,504
Future expenses and other cash-out flows	R0380	3,568,983	1,107,985	3,679,954	8,350,922
Cash in-flows					
Future premiums	R0390			5,108,476	5,108,476
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400				
Cash-flows of the Best estimate of Claims Provisions (Gross)					
Cash out-flows					
Future benefits and claims	R0410	744,039	303,123	595,241	1,642,403
Future expenses and other cash-out flows	R0420				
Cash in-flows					
Future premiums	R0430				
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440				
Percentage of gross Best Estimate calculated using approximations	R0450				
Best estimate subject to transitional on the interest rate	R0460				
Technical provisions without transitional on interest rate	R0470				
Best estimate subject to volatility adjustment	R0480				
Technical provisions without volatility adjustment and without others transitional measures	R0490				

**S.17.02.01.01 - Gross TP calculated as a whole and Gross BE for different countries - Home country and countries outside the materiality threshold**

		Columns											
		Direct business											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
Rows		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Home country	R0010												
EEA countries outside the materiality threshold - not reported by country	R0020					2,206,103		702,042					1,858,983
Non-EEA countries outside the materiality threshold - not reported by country	R0030												

**S.17.02.01.02 - Gross TP calculated as a whole and Gross BE for different countries - Countries in the materiality threshold**

		Columns												
		Country	Direct business											
			Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
Rows		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Countries in the materiality threshold	R0040	UNITED KINGDOM					22,253,142		8,146,554					9,869,528

**Non-life insurance claims**

**5.19.01.01.01 - Gross Claims Paid (non-cumulative) - Development year (absolute amount)**

Items		Z ERS	
Date:		Reinsurance financial loss (direct business and accepted proportional reinsurance)	
Line of business	Account year / Underwriting year	Account year / Underwriting year	Account year / Underwriting year
Business	Account year / Underwriting year	Account year / Underwriting year	Account year / Underwriting year
Company commission	Account year / Underwriting year	Account year / Underwriting year	Account year / Underwriting year
Reins	Reins	0	1
Reins	Reins	2	3
Reins	Reins	4	5
Reins	Reins	6	7
Reins	Reins	8	9
Reins	Reins	10	11
Reins	Reins	12	13
Reins	Reins	14	15
Reins	Reins	16	17
Reins	Reins	18	19
Reins	Reins	20	21
Reins	Reins	22	23
Reins	Reins	24	25
Reins	Reins	26	27
Reins	Reins	28	29
Reins	Reins	30	31
Reins	Reins	32	33
Reins	Reins	34	35
Reins	Reins	36	37
Reins	Reins	38	39
Reins	Reins	40	41
Reins	Reins	42	43
Reins	Reins	44	45
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Reins	Reins	570	571
Reins	Reins	572	573
Reins	Reins	574	575
Reins	Reins	576	577
Reins	Reins	578	579
Reins	Reins	580	581
Reins	Reins	582	583
Reins	Reins	584	585
Reins	Reins	586	587
Reins	Reins		

5.19.01.01.09 - Undiscounted Best Estimate Claims Provisions - Reinsurance recoverable - Development year (absolute amount)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns											
		C100	C101	C102	C103	C104	C105	C106	C107	C108	C109	C110	C111
01/2018	2018												
02/2018	2018												
03/2018	2018												
04/2018	2018												
05/2018	2018												
06/2018	2018												
07/2018	2018												
08/2018	2018												
09/2018	2018												
10/2018	2018												
11/2018	2018												
12/2018	2018												
Total	2018												

5.19.01.01.10 - Discounted Best Estimate Claims Provisions - Reinsurance recoverable - Current year, sum of years (cumulative)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns	
		New and reestimated data	Year end closing
01/2018	2018		
02/2018	2018		
03/2018	2018		
04/2018	2018		
05/2018	2018		
06/2018	2018		
07/2018	2018		
08/2018	2018		
09/2018	2018		
10/2018	2018		
11/2018	2018		
12/2018	2018		
Total	2018		

5.19.01.01.11 - Reinsurance RBNS Claims - Development year (absolute amount)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns																
		C100	C101	C102	C103	C104	C105	C106	C107	C108	C109	C110	C111	C112	C113	C114	C115	
01/2018	2018																	
02/2018	2018																	
03/2018	2018																	
04/2018	2018																	
05/2018	2018																	
06/2018	2018																	
07/2018	2018																	
08/2018	2018																	
09/2018	2018																	
10/2018	2018																	
11/2018	2018																	
12/2018	2018																	
Total	2018																	

5.19.01.01.12 - Reinsurance RBNS - Current year, sum of years (cumulative)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns	
		New and reestimated data	C100
01/2018	2018		
02/2018	2018		
03/2018	2018		
04/2018	2018		
05/2018	2018		
06/2018	2018		
07/2018	2018		
08/2018	2018		
09/2018	2018		
10/2018	2018		
11/2018	2018		
12/2018	2018		
Total	2018		

5.19.01.01.13 - Net Claims Paid (non-cumulative) - Development year (absolute amount)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns											
		C100	C101	C102	C103	C104	C105	C106	C107	C108	C109	C110	C111
01/2018	2018												
02/2018	2018												
03/2018	2018												
04/2018	2018												
05/2018	2018												
06/2018	2018												
07/2018	2018												
08/2018	2018												
09/2018	2018												
10/2018	2018												
11/2018	2018												
12/2018	2018												
Total	2018												

5.19.01.01.14 - Net Claims Paid (non-cumulative) - Current year, sum of years (cumulative)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns	
		Net Claims Paid	Sum of years (cumulative)
01/2018	2018		
02/2018	2018		
03/2018	2018		
04/2018	2018		
05/2018	2018		
06/2018	2018		
07/2018	2018		
08/2018	2018		
09/2018	2018		
10/2018	2018		
11/2018	2018		
12/2018	2018		
Total	2018		

5.19.01.01.15 - Net Undiscounted Best Estimate Claims Provisions - Development year (absolute amount)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns																
		C100	C101	C102	C103	C104	C105	C106	C107	C108	C109	C110	C111	C112	C113	C114	C115	
01/2018	2018																	
02/2018	2018																	
03/2018	2018																	
04/2018	2018																	
05/2018	2018																	
06/2018	2018																	
07/2018	2018																	
08/2018	2018																	
09/2018	2018																	
10/2018	2018																	
11/2018	2018																	
12/2018	2018																	
Total	2018																	

5.19.01.01.16 - Net Undiscounted Best Estimate Claims Provisions - Current year, sum of years (cumulative)

Sheet:	Z:000
Line of business:	Multirenaissance Financial loss (direct business and assigned proportional reinsurance)
Account year / underwriting year:	2018 / 2018 and 2017
Company:	FDI
Company convention:	Not applicable / Expressed in conventional reporting currency

Month	Year	Columns	
		New and reestimated data	C100
01/2018	2018		
02/2018	2018		
03/2018	2018		
04/2018	2018		
05/2018	2018		
06/2018	2018		
07/2018	2018		
08/2018	2018		
09/2018	2018		
10/2018	2018		
11/2018	2018		
12/2018	2018		
Total	2018		

















Own funds

5.23.01.01.01 - Own funds

Rows	Columns				
	Total	Tier 1 - unrestricted	Tier 2 - restricted	Tier 2	Tier 3
	COB0	COB0	COB0	COB0	COB0
Basic own funds before deduction for participations in other financial sector as foreseen in article 48 of Delegated Regulation (EU) 2015/25					
Ordinary share capital (gross of own shares)	80050	7,490,000.00	7,490,000.00		
Share premium account related to ordinary share capital	80050				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	80040				
Subordinated mutual member accounts	80050				
Surplus funds	80050				
Preference shares	80060				
Share premium account related to preference shares	80150				
Reconciliation reserve	80230	-6,047,012.7500	-6,047,012.7500		
Subordinated liabilities	80340				
An amount equal to the value of net deferred tax assets	80160				
Other own fund items approved by the supervisory authority as basic own funds not specified above	80380	32,065,205.71	32,065,205.71		
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	80220				
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	80220				
Deductions for participations in financial and credit institutions	80250	0.00	0.00		
Total basic own funds after deductions	80290	33,508,192.97	33,508,192.97		0.00
Ancillary own funds	80300				
Unpaid and uncalled ordinary share capital callable on demand	80300				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	80310				
Unpaid and uncalled preference shares callable on demand	80320				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	80330				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	80340				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	80350				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	80360				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	80370				
Other ancillary own funds	80380				
Total ancillary own funds	80400				
Available and eligible own funds	80400				
Total available own funds to meet the SCR	80500	33,508,192.97	33,508,192.97		0.00
Total available own funds to meet the MCR	80510	33,508,192.97	33,508,192.97		0.00
Total eligible own funds to meet the SCR	80520	33,508,192.97	33,508,192.97		0.00
Total eligible own funds to meet the MCR	80530	33,508,192.97	33,508,192.97		0.00
SCR	80600	20,474,056.50			
MCR	80610	4,492,273.38			
Ratio of Eligible own funds to SCR	80620	163.66%			
Ratio of Eligible own funds to MCR	80630	394.57%			

Detailed information by tiers on own funds

5.23.02.01.01 - Basic own funds

Rows	Columns				
	Total	Tier 1	Tier 2	Tier 3	
	COB0	COB0	COB0	COB0	COB0
Ordinary share capital					
Paid in	80050	7,490,000.00	7,490,000.00		
Called up but not yet paid in	80050				
Own shares held	80050				
Total ordinary share capital	80050	7,490,000.00	7,490,000.00		
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	80040				
Paid in	80110	0.00	0.00		
Called up but not yet paid in	80120				
Total initial fund members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	80100	0.00	0.00		
Subordinated mutual member accounts	80210				
Dated subordinated	80220				
Undated subordinated with a call option	80230				
Undated subordinated with no contractual opportunity to redeem	80240				
Total subordinated mutual member accounts	80200				
Preference shares	80310				
Called preference shares	80320				
Undated preference shares with a call option	80330				
Undated preference shares with no contractual opportunity to redeem	80340				
Total preference shares	80300				
Subordinated liabilities	80410				
Dated subordinated liabilities	80420				
Undated subordinated liabilities with a contractual opportunity to redeem	80430				
Undated subordinated liabilities with no contractual opportunity to redeem	80440				
Total subordinated liabilities	80400				

5.23.02.01.02 - Ancillary own funds

Rows	Columns			
	Tier 2		Tier 3	
	Initial amounts approved	Current amounts	Initial amounts approved	Current amounts
	COB0	COB0	COB0	COB0
Ancillary own funds	80300			
Items for which an amount was approved	80310			
Items for which a method was approved	80320			

**S.25.01.01.01 - Basic Solvency Capital Requirement**

Sheets  
Z Axis: 

Article 112	R010	No
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Rows	Columns		
	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RIF and Matching adjustments portfolios
	C00M	C00B	C00A
Market risk	R0010	1,548,489.08	1,548,489.08
Counterparty default risk	R0020	1,917,944.27	1,917,944.27
Life underwriting risk	R0030		
Health underwriting risk	R0040		
Non-life underwriting risk	R0050	17,626,756.99	17,626,756.99
Diversification	R0060	-1,909,424.85	-1,909,424.85
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	19,123,765.49	19,123,765.49

**S.25.01.01.02 - Calculation of Solvency Capital Requirement**

Sheets  
Z Axis: 

Article 112	R010	No
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Rows	Columns	
	Value	
	C0100	
Adjustment due to RIF/MAAP +SCR aggregation	R0120	
Operational risk	R0130	1,151,096.57
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2009/138/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0170	20,474,856.06
Capital add-on already set	R0180	
Solvency capital requirement	R0190	20,474,856.06
Other information on SCR	R0200	
Capital requirement for duration-based equity risk sub-module	R0210	
Total amount of Notional Solvency Capital Requirements for remaining part	R0220	
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0230	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0240	
Diversification effects due to RIF +SCR aggregation for article 306	R0250	
Method used to calculate the adjustment due to RIF/MAAP +SCR aggregation	R0260	
Net future discretionary benefits	R0270	

**S.25.01.01.03 - Approach to tax rate**

Sheets  
Z Axis: 

Article 112	R030	
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Rows	Columns	
	Yes/No	
	C0300	
Approach based on average tax rate	R0300	

**S.25.01.01.04 - Calculation of loss absorbing capacity of deferred taxes**

Sheets  
Z Axis: 

Article 112	R040	No
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Rows	Columns	
	Before the shock	After the shock
	C0410	C0420
DTA	R0400	
DTA carry forward	R0410	
DTA due to deductible temporary differences	R0420	
DTL	R0430	

**S.25.01.01.05 - Calculation of loss absorbing capacity of deferred taxes**

Sheets  
Z Axis: 

Article 112	R050	
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Rows	Columns	
	LAC DT	
	C0500	
LAC DT	R0500	
LAC DT justified by reversion of deferred tax liabilities	R0510	
LAC DT justified by reference to probable future taxable economic profit	R0520	
LAC DT justified by carry back current year	R0530	
LAC DT justified by carry back future years	R0540	
Maximum LAC DT	R0550	

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

**S.28.01.01.01 - Linear formula component for non-life insurance and reinsurance obligations**

Rows	Columns	
	MCR components	
	C0010	
MCRNL Result	R0010	8,492,273.38

**S.28.01.01.02 - Background information**

Rows	Columns		
	Background information		
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	
	C0020	C0030	
Medical expense insurance and proportional reinsurance	R0030		
Income protection insurance and proportional reinsurance	R0040		
Workers' compensation insurance and proportional reinsurance	R0050		
Motor vehicle liability insurance and proportional reinsurance	R0060	24,459,345.18	25,421,754.75
Other motor insurance and proportional reinsurance	R0070		
Marine, aviation and transport insurance and proportional reinsurance	R0080	8,648,595.54	9,754,799.63
Fire and other damage to property insurance and proportional reinsurance	R0090		
General liability insurance and proportional reinsurance	R0100		
Credit and suretyship insurance and proportional reinsurance	R0110		
Legal expenses insurance and proportional reinsurance	R0120		
Assistance and proportional reinsurance	R0130	10,764,544.61	9,738,156.50
Miscellaneous financial loss insurance and proportional reinsurance	R0140		
Non-proportional health reinsurance	R0150		
Non-proportional casualty reinsurance	R0160		
Non-proportional marine, aviation and transport reinsurance	R0170		
Non-proportional property reinsurance	R0180		

**S.28.01.01.03 - Linear formula component for life insurance and reinsurance obligations**

Rows	Columns	
	C0090	
MCRL Result	R0200	

**S.28.01.01.04 - Total capital at risk for all life (re)insurance obligations**

Rows	Columns		
	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	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

**S.28.01.01.05 - Overall MCR calculation**

Rows	Columns	
	C0070	
Linear MCR	R0300	8,492,273.38
SCR	R0310	20,474,856.06
MCR cap	R0320	9,213,695.23
MCR floor	R0330	5,118,714.02
Combined MCR	R0340	8,492,273.38
Absolute floor of the MCR	R0350	3,066,990.92
Minimum Capital Requirement	R0360	8,492,273.38