

PREMIER UNDERWRITING HOLDINGS (GIBRALTAR) LIMITED

PREMIER INSURANCE COMPANY LIMITED

GROUP AND SOLO SOLVENCY AND FINANCIAL CONDITION REPORT

As at 31 December 2017



Contents

Summary	6
A Business and Performance	9
A.1 Business Information	9
A.1.1 Company Details	9
A.1.2 Supervisory Authority	9
A.1.3 Auditor	10
A.1.4 Ultimate Shareholders	10
A.1.5 Group Structure	10
A.1.6 Material Lines of Business and Geographical Areas	11
A.1.7 Significant Business or Other Events	11
A.2 Underwriting Performance	11
A.3 Investment Performance	15
A.4 Performance of other Activities	18
A.5 Any other Information	19
B Systems of Governance	20
B.1 General Information on Systems of Governance	20
B.1.1 Structure of the Board and Committees	20
B.1.2 Key Functions	22
B.1.3 Changes during the Period	24
B.1.4 Remuneration Policy	24
B.1.5 Material Transactions	25
B.2 Fit and Proper Requirements	25
B.2.1 Requirements for Skills, Knowledge and Expertise	25
B.2.2 Policies and Processes with regard to Fit Requirements	26
B.2.3 Policies and Processes with regard to Proper Requirements	26
B.3 Risk Management System including ORSA	26
B.3.1 Risk Management System	26
B.3.2 Own Risk and Solvency Assessment	29
B.4 Internal Control System	30
B.4.1 Internal Control System	30



B.4.2	Compliance Function	31
B.5	Internal Audit Function	32
B.5.1	Implementation of the Internal Audit Function	32
B.5.2	Independence and Objectivity of the Internal Audit Function	33
B.6	Actuarial Function.....	33
B.6.1	Implementation of Actuarial Function	33
B.7	Outsourcing.....	34
B.7.1	Outsourcing Policy	34
B.7.2	Outsourced Functions and Activities	34
B.8	Any other Information	35
B.8.1	Adequacy of Systems of Governance.....	35
B.8.2	Any other Material Information	35
C.	Risk Profile	36
C.1	Underwriting Risk	37
C.1.1	Material Risks	37
C.1.2	Material Risk Concentrations	37
C.1.3	Risk Mitigations	37
C.1.4	Stress and Sensitivity Testing	38
C.2	Market Risk	38
C.2.1	Material Risks	38
C.2.2	Material Risk Concentrations	39
C.2.3	Risk Mitigations	39
C.2.4	Prudent Person Principle.....	39
C.2.5	Stress and Sensitivity Testing	40
C.3	Credit Risk	40
C.3.1	Material Risks	40
C.3.2	Material Risk Concentrations	41
C.3.3	Risk Mitigations	41
C.3.4	Stress and Sensitivity Testing	41
C.4	Liquidity Risk	42
C.4.1	Material Risks	42
C.4.2	Material Risk Concentrations	42



C.4.3	Risk Mitigations	42
C.4.4	Stress and Sensitivity Testing	42
C.4.5	Expected Profit in Future Premiums	42
C.5	Operational Risk	42
C.5.1	Material Risks	42
C.5.2	Material Risk Concentrations	43
C.5.3	Risk Mitigations	43
C.5.4	Stress and Sensitivity Testing	43
C.6	Other Material Risks	44
D.	Valuation for Solvency Purposes.....	45
D.1	Assets.....	45
D.1.1	Property.....	46
D.1.2	Bonds.....	46
D.1.3	Collateralised Securities	47
D.1.4	Collective Investment Undertakings.....	47
D.1.5	Derivatives.....	47
D.1.6	Deposits, Cash and Cash Equivalents.....	48
D.1.7	Insurance and Intermediaries Receivables.....	48
D.1.8	Reinsurance Receivables	48
D.1.8	Receivables (trade, not insurance)	49
D.1.9	Deferred Acquisition and Processing Costs.....	49
D.1.10	Other Assets	49
D.2	Technical Provisions.....	49
D.2.1	Bases, Methods and Assumptions	51
D.2.2	Uncertainty.....	53
D.2.3	Differences between Solvency II and GAAP Valuation	53
D.2.4	Transitional adjustments.....	55
D.2.5	Changes over the Period	55
D.3	Other Liabilities	55
D.3.1	Derivatives.....	56
D.3.2	Insurance and Intermediaries Payables	56
D.3.3	Reinsurance Payables.....	57



D.3.4	Payables (trade, not insurance).....	57
D.3.5	Deferred Reinsurance Commission.....	57
E.	Capital Management.....	58
E.1	Own funds.....	58
E.1.1	Management of Own Funds.....	58
E.1.2	Description of Own Funds.....	58
E.2	Solvency Capital Requirement and Minimum Capital Requirement.....	61
E.2.1	SCR and MCR.....	61
E.2.2	SCR by Risk Module.....	62
E.2.3	Simplifications.....	63
E.2.4	Inputs used to Calculate the MCR.....	63
E.2.5	Changes over the Period.....	65



Summary

Introduction

Premier Underwriting Holdings (Gibraltar) Limited (“PUHGL” or “the Holding Company”) is an insurance holding company. Together with its subsidiaries, Premier Insurance Company Limited (“PICL” or “the Company”), Premier Underwriting Developments (Europe) Limited (“PUDEL”) and Premier Advisory and Consulting Services Limited (“PACSL”), PUHGL comprises an insurance group (“Premier Group” or “the Group”). PICL is an insurance company licensed by the Gibraltar Financial Services Commission. PUDEL is an insurance intermediary licensed by the Gibraltar Financial Services Commission. PACSL is an unlicensed company providing consultancy services. This report has been prepared to reflect both PICL’s and the Premier Group’s position.

Business and Performance

PICL is the only insurance company within the group and during the year to 31 December 2017 PICL underwrote £25.9 million of premium and achieved a profit before tax of £0.8 million.

Premium written represents only modest growth of 5%, reflecting market pressures and competition. The continuing profitability of the business demonstrates the tight control over underwriting which is maintained, with the Board’s focus being on profit rather than volume at all times. All business written was motor business in the United Kingdom.

On a consolidated basis, the Group achieved a profit before tax of £1.5 million, which is largely a reflection of the profitable underwriting result achieved by PICL during the year. In addition to the underwriting carried out by PICL, PUDEL generates further commission income for the Group, amounting to £0.5 million during the year.

Investment income contributed some £0.2 million to the overall result.

PICL purchases both Excess of Loss and Quota Share reinsurance to protect the business against the impact of both large and attritional losses and to assist with the effective management of capital. Excess of Loss retention is limited to £500,000.

Systems of Governance

PICL and the Group operate a largely outsourced business model, with outsourced providers both within the wider group and externally. In particular, day-to-day operational management is outsourced to PICL’s insurance manager, Artex Risk Solutions (Gibraltar) Limited and the Group’s company manager, Artex Corporate Services (Gibraltar) Limited. This encompasses in particular financial accounting, assistance with risk management, Solvency II reporting, company secretarial and compliance services. Other key outsourced services comprise policy administration and the provision of management information, which is outsourced to Premier Underwriting Limited (“PUL”) – a company under common ownership but not part of the insurance group, and claims handling, which is outsourced to Endsleigh Insurance Services Limited.



PICL and the Group both have strong systems of governance, proportionate to the size and complexity of the operation, with the processes and procedures and the overall systems of governance being constantly reviewed and improved where necessary.

Over-arching responsibility for governance of the Group rests with the PUHGL Board. The two PUHGL Directors also being Directors of PICL ensure appropriate communication between the insurance company subsidiary and its parent.

PICL's Board is comprised of two Executive and two Non-Executive Directors and the Company operates via two sub-committees: Claims and Underwriting Committee and Investment Committee, with audit oversight and risk management being retained by the Board. The Board is responsible for overseeing the business of PICL, for providing strategic direction and for supervising management. While the Board delegates certain functions to its sub-committees, this does not absolve the Directors of their responsibility to the Company.

The Company complies with all requirements with regard to key functions and fitness and propriety, with further detail on this provided in section B. There were no material changes to the Company's or the Group's systems of governance during the period.

Risk Profile

PICL and the Group have a strong risk management system, which categorises risk into strategic risk, insurance risk, investment risk, liquidity risk, credit risk, concentration risk, operational risk and reputational risk.

The risk management policy is intended to

- identify all material risks
- assess their overall likelihood and impact
- put in place appropriate mitigations and controls to minimise and manage risks
- monitor risks on an ongoing basis and
- report risks to the appropriate forums.

The key risks currently identified by management are:

- Higher than expected claims frequency
- UK exiting the EU
- Unilateral regulatory actions which impact on PICL's status
- Insolvent failure of a Gibraltar motor insurer.

Valuation for Solvency Purposes

Section D of this report sets out in detail the inputs, bases and methods for recognition and valuation of assets and liabilities, including a comparison between Solvency II and GAAP valuation. The main valuation differences arise from reclassifications and from differences in the valuation of technical provisions.



Capital Management

PICL and the Group maintain a strong capital base, enabling both to meet their regulatory and their internal capital requirements at all time. The intention is to continue to build the capital base to allow for careful growth in the future business. The Company and the Group do not make use of any transitional measures.

As at 31 December 2017, the Company's and the Group's solvency position were as set out below:

	PICL – Solo	Premier Group
Eligible Own Funds (Tier 1)	14,106	19,843
SCR	9,916	10,343
SCR Coverage	142%	192%
MCR	3,251	3,251
MCR Coverage	434%	610%

Both PICL and the Group have continuously complied with the capital requirements over the reporting period.



A Business and Performance

A.1 Business Information

A.1.1 Company Details

The following Companies are included in this SFCR:

- Premier Insurance Company Limited (“PICL”), incorporated in Gibraltar and a Company limited by shares, registered number 100875
- Premier Underwriting Holdings (Gibraltar) Limited (“PUHGL”), incorporated in Gibraltar and a Company limited by shares, registered number 100876
- Premier Underwriting Developments (Europe) Limited (“PUDEL”), incorporated in Gibraltar and a Company limited by shares, registered number 102244
- Premier Advisory and Consulting Services Limited (“PACSL”), incorporated in Gibraltar and a Company limited by shares, registered number 108125

The Registered office for all companies is:

P.O. Box 1338
First Floor
Grand Ocean Plaza
Ocean Village
Gibraltar

This Solvency and Financial Condition Report covers PUHGL and its subsidiaries on a group basis and PICL on a solo basis.

A.1.2 Supervisory Authority

PICL and PUDEL are regulated by:

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

The Gibraltar Financial Services Commission is also the Group supervisory authority



A.1.3 Auditor

PUHGL's and the Group's auditors are:

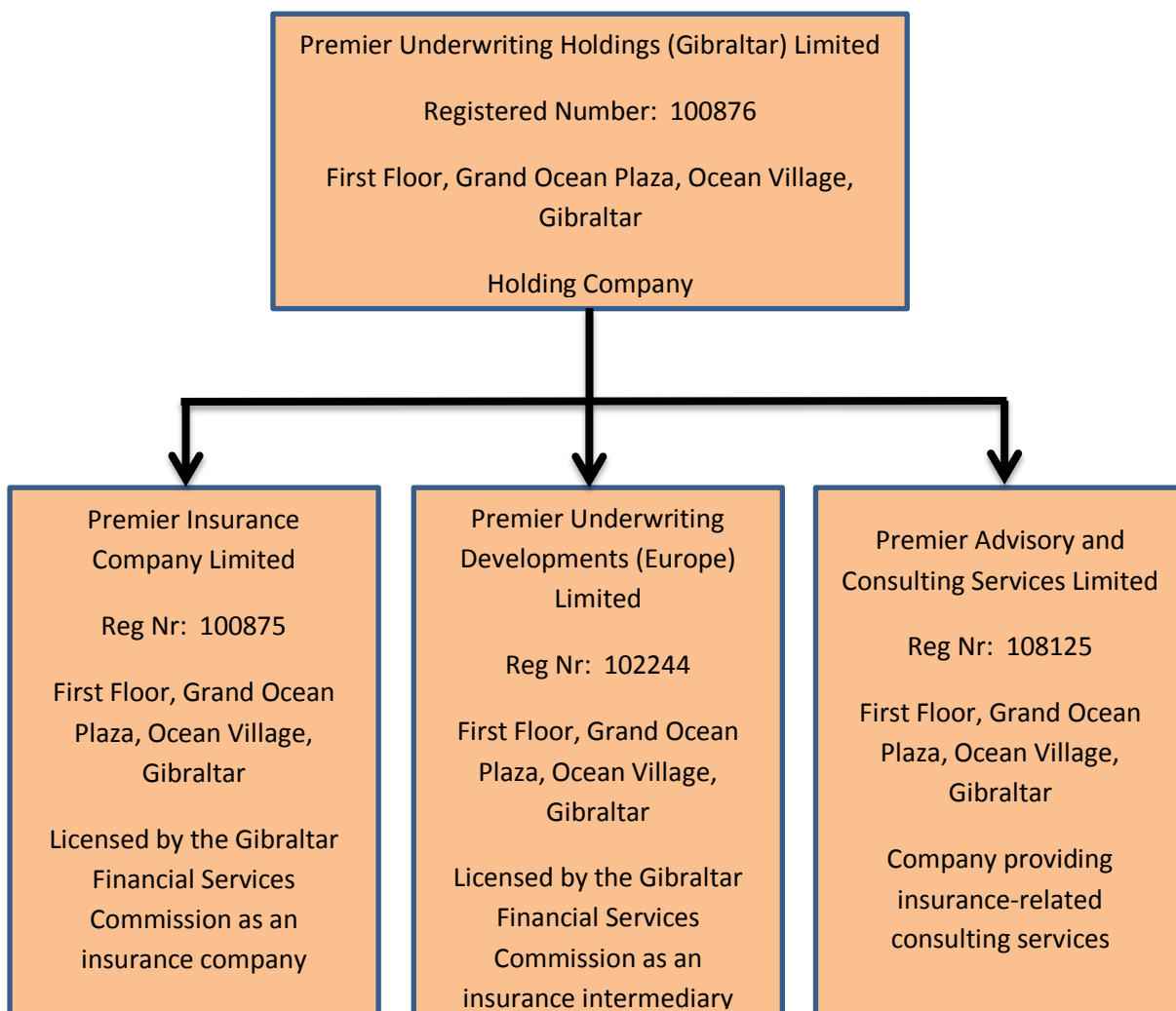
RSM Audit (Gibraltar) Limited
21 Engineer Lane
Gibraltar

A.1.4 Ultimate Shareholders

All subsidiaries are 100% owned by PUHGL. PUHGL is 100% owned by Paul Christopher Gray.

A.1.5 Group Structure

The Group consists of the following entities:





In addition to the above companies, PICL outsources services to Premier Underwriting Limited (“PUL”), a UK company licensed by the Financial Conduct Authority as an insurance intermediary. PUL is under common ownership, but is not owned by PUHGL.

A.1.6 Material Lines of Business and Geographical Areas

PICL is the only insurance company in the group and the Company’s only business is UK motor insurance. Gross written premium during the year amounted to £25.9 million (2016 - £24.5 million). Net (of reinsurance) written premium amounted to £15.6 million (2016 - £13.0 million). All business has been conducted in the UK.

A.1.7 Significant Business or Other Events

On 27th February 2017 the Lord Chancellor announced a reduction in the Ogden discount rate from 2.5% to -0.75%. The impact of this change has a significant impact on the gross cost of certain high-value personal injury claims. While the low retention on the Company’s reinsurance programme mitigates the impact, the change in the rate was taken into account in the outcome of the 2016 year-end reserve review on both a gross and net of reinsurance basis and PICL continues to reserve on the new basis.

A direct impact from the change has been the significant rate rises seen in the market following the announcement and a material increase in the cost of Excess of Loss reinsurance. While the UK Government has now announced plans to reconsider the basis on which the rate is calculated, the timing and magnitude of such a change remain uncertain and therefore PICL has made no allowance for any potential positive impact from a future change.

A.2 Underwriting Performance

PICL is the only insurance company in the Group and underwrote solely UK motor business during the year.

The Company mitigates its risk through a mixture of Quota Share and Excess of Loss reinsurance. This provides protection both against adverse performance from attritional losses and from large claims.

All companies in the Group prepare their financial statements in accordance with Generally Accepted Accounting Principles in Gibraltar (“GAAP”) and the underwriting performance information given in this section is therefore on a GAAP basis.

The following tables summarise the technical account performance for the year ended 31 December 2017 for both PICL and the Group, together with comparatives for the year ended 31 December 2016.



Year ended 31 December 2017 – PICL

	As at 31 December 2017			
	Motor Liability	Other Motor	Annuities	Total
	£'000	£'000	£'000	£'000
Gross written premiums	23,349	2,541		25,890
Outward reinsurance premiums	(9,278)	(1,016)		(10,294)
Net written premiums	14,071	1,524		15,596
Change in the gross provision of unearned premiums	(885)	(152)		(1,037)
Change in the provision for unearned premiums - reinsurers' share	1,467	61		1,528
Change in the net provision for unearned premiums	582	(91)		491
Earned premiums, net of reinsurance	13,490	1,615	0	15,105
Claims paid - gross amount	14,921	3,399	250	18,571
Claims paid - reinsurers' share	(7,334)	(1,234)	(221)	(8,788)
Net claims paid	7,588	2,166	30	9,783
Change in provision for claims - gross amount	23,396	(1,664)	(226)	21,506
Change in provision for claims - reinsurers' share	(20,914)	539	211	(20,164)
Change in net provision for claims	2,482	(1,124)	(15)	1,343
Claims incurred, net of reinsurance	10,070	1,042	15	11,126
Net operating expenses	3,254	317		3,571
Balance on the technical account	166	257	(15)	408



Year ended 31 December 2017 - Group

	As at 31 December 2017			
	Motor Liability	Other Motor	Annuities	Total
	£'000	£'000	£'000	£'000
Gross written premiums	23,349	2,541		25,890
Outward reinsurance premiums	(9,278)	(1,016)		(10,294)
Net written premiums	14,071	1,524		15,596
				0
Change in the gross provision of unearned premiums	(885)	(152)		(1,037)
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Change in provision for claims - gross amount	23,396	(1,664)	(226)	21,506
Change in provision for claims - reinsurers' share	(20,914)	539	211	(20,164)
Change in net provision for claims	2,482	(1,124)	(15)	1,343
Claims incurred, net of reinsurance	10,070	1,042	15	11,126
Net operating expenses	2,275	221		2,497
Balance on the technical account	1,145	353	(15)	1,482



Year ended 31 December 2016 - PICL

	As at 31 December 2016			
	Motor Liability	Other Motor	Annuities	Total
	£'000	£'000	£'000	£'000
Gross written premiums	21,889	2,631		24,520
Outward reinsurance premiums	(10,466)	(1,053)		(11,519)
Net written premiums	11,422	1,579		13,001
				0
Change in the gross provision of unearned premiums	(2,978)	(377)		(3,355)
Change in the provision for unearned premiums - reinsurers' share	1,414	151		1,564
Change in the net provision for unearned premiums	(1,564)	(226)		(1,790)
Earned premiums, net of reinsurance	9,858	1,353	0	11,211
Claims paid - gross amount	13,131	2,145	233	15,509
Claims paid - reinsurers' share	(5,928)	(858)	(337)	(7,123)
Net claims paid	7,203	1,287	(103)	8,387
Change in provision for claims - gross amount	(1,191)	(718)	1,079	(830)
Change in provision for claims - reinsurers' share	134	287	(909)	(488)
Change in net provision for claims	(1,057)	(431)	170	(1,318)
Claims incurred, net of reinsurance	6,146	856	67	7,069
Net operating expenses	2,132	256		2,388
Balance on the technical account	1,580	241	(67)	1,754



Year ended 31 December 2016 – Group

	As at 31 December 2016			
	Motor Liability	Other Motor	Annuities	Total
	£'000	£'000	£'000	£'000
Gross written premiums	21,889	2,631		24,520
Outward reinsurance premiums	(10,466)	(1,053)		(11,519)
Net written premiums	11,422	1,579		13,001
				0
Change in the gross provision of unearned premiums	(2,978)	(377)		(3,355)
Change in the provision for unearned premiums - reinsurers	1,414	151		1,564
Change in the net provision for unearned premiums	(1,564)	(226)		(1,790)
Earned premiums, net of reinsurance	9,858	1,353	0	11,211
Claims paid - gross amount	13,131	2,145	233	15,510
Claims paid - reinsurers' share	(5,928)	(858)	(337)	(7,123)
Net claims paid	7,203	1,287	(103)	8,387
Change in provision for claims - gross amount	(1,191)	(718)	1,079	(830)
Change in provision for claims - reinsurers' share	134	287	(909)	(488)
Change in net provision for claims	(1,057)	(431)	170	(1,318)
Claims incurred, net of reinsurance	6,146	856	67	7,069
Net operating expenses	1,281	154		1,434
Balance on the technical account	2,431	343	(67)	2,708

Policy volumes increased marginally during the year, being a reflection of the competitive environment in the UK motor market. With many of PICL's competitors not renewing their Excess of Loss programmes until January 2018, the increase in cost left these companies relatively unaffected during 2017. While profit is reduced from prior years, this reflects normal volatility in the motor insurance market.

A.3 Investment Performance

PICL invests in a diversified portfolio comprising corporate and government bonds, together with some investment in collective investment schemes. In addition, the Company and the Group have deposits with banks (to ensure appropriate diversification and liquidity) and investments in fixed property.



The Group's investment portfolio comprises:

Group	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Investible Assets				
Corporate bonds	19,471	51%	14,231	45%
Government bonds	4,267	11%	4,341	14%
Funds	2,378	6%	3,461	11%
Derivatives	(195)	-1%	(17)	0%
Property	4,810	13%	4,595	7%
Cash and Cash Equivalents	7,578	20%	9,417	23%
Total	38,310	100%	36,029	100%

The Company's investment portfolio comprises:

Company	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Investible Assets				
Corporate bonds	19,471	59%	14,231	45%
Government bonds	4,267	13%	4,341	14%
Funds	2,378	7%	3,461	11%
Derivatives	(195)	-1%	(741)	-2%
Property	2,225	7%	2,225	7%
Cash and Cash Equivalents	4,671	14%	8,093	26%
Total	32,818	100%	31,611	100%



The Group's investment returns and expenses were:

Group	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Investment Income				
Corporate bonds	252	77%	658	133%
Government bonds	68	21%		
Funds	18	6%	206	42%
Derivatives	23	7%	(331)	-67%
Property	(36)	-11%	(44)	-9%
Cash and Cash Equivalents	2	1%	7	1%
Total	327	100%	495	100%

The Company's investment returns and expenses were:

Company	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Investment Income				
Corporate bonds	252	108%	756	153%
Government bonds	68	29%		0%
Funds	18	8%	206	42%
Derivatives	23	10%	(331)	-67%
Property	(34)	-15%	(44)	-9%
Cash and Cash Equivalents	2	1%	5	1%
Investment management expenses	(96)	-41%	(98)	-20%
Total	233	100%	494	100%



The investment portfolios are actively managed, with assets not necessarily held until maturity. PICL utilises the services of experienced investment managers to manage its investment portfolios.

PICL and the Group do not invest in securitisations and has not recognised any gains or losses directly to equity.

A.4 Performance of other Activities

PICL receives reinsurance commission from its Quota Share partner as a contribution to costs, which is a flat commission and does not vary with the performance of the business. In addition, the Company receives a profit commission from its Quota Share partner depending on performance, which is only recognised when it becomes due. PICL also pays profit commission to PUL depending on the performance of the business.

PUDEL received a flat commission from its capacity providers together with a performance-based profit commission.

The table below shows the amounts accounted for by the Group 2017.

Group	31/12/2017	31/12/2016
	£'000	£'000
Earned Commission		
Reinsurance Commission - PICL	267	290
Profit Commission - PICL	(223)	323
Net Commission Income - PUDEL	397	398
Net Profit Commission - PUDEL	106	266
Total	546	1,277



The table below shows the amounts accounted for by the Company.

	31/12/2017	31/12/2016
	£'000	£'000
Earned Commission		
Reinsurance Commission	267	290
Profit Commission	(223)	323
Total	43	613

A.5 Any other Information

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



B Systems of Governance

B.1 General Information on Systems of Governance

B.1.1 Structure of the Board and Committees

The following companies in the Group operate as set out below:

PUHGL – Board of Directors comprising:

- Paul Gray
- Stephen Quinn

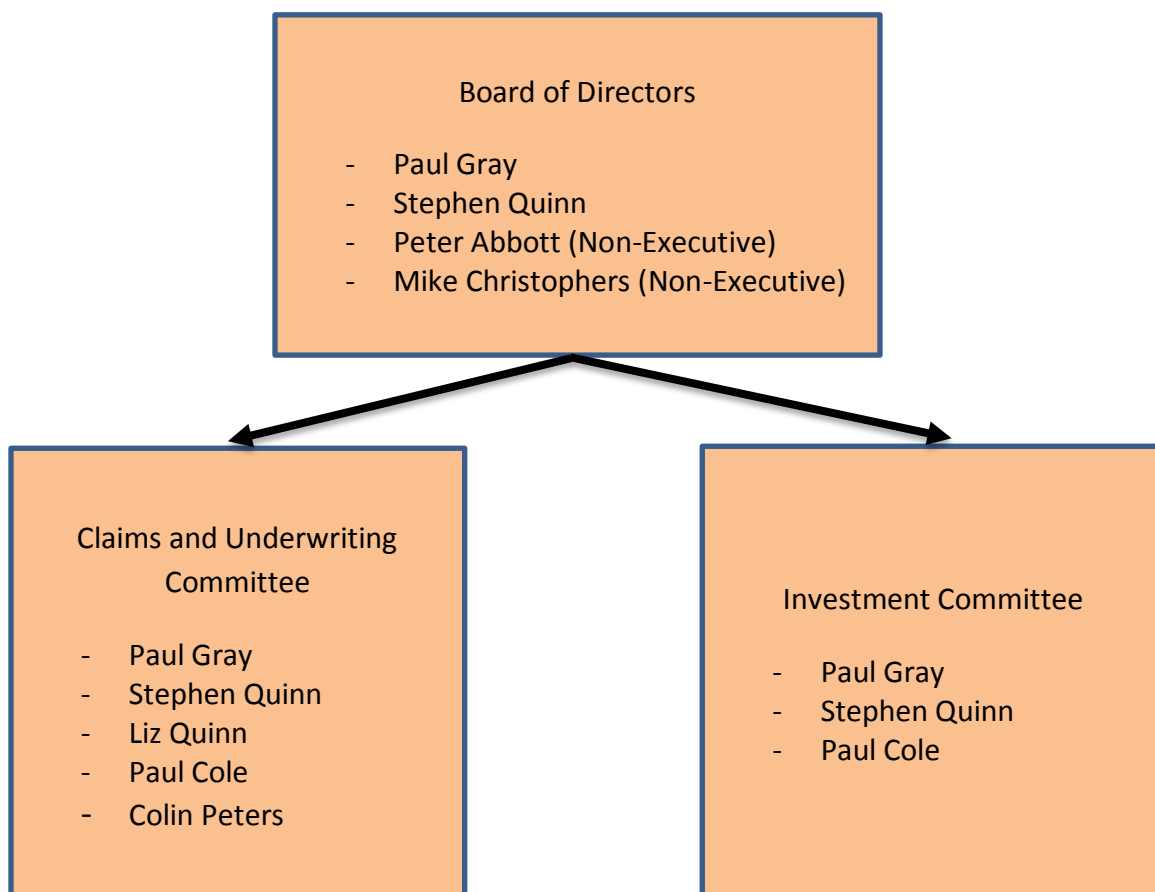
PUDEL – Board of Directors comprising:

- Paul Gray
- Peter Abbott (Non-Executive)
- Liz Quinn (Non-Executive)
- Mike Christophers (Non-Executive)

PACSL – Board of Directors comprising:

- Paul Gray
- Stephen Quinn

PICL operates through a main Board and two Sub-Committees, with the directors and members as at 31 December 2017 as set out below:





The Company Secretary for all companies in the Group is Raphael Jacob Abergel.

PUHGL retains over-arching responsibility for the governance of the Group, adopting a risk-based approach to the implementation of appropriate processes and procedures. The group has common directors between PUHGL and its various subsidiaries, thus ensuring appropriate communication and oversight.

PICL and the wider Group have decided not to establish Audit and Risk Committees, with responsibility for these functions being retained by the respective Boards. However, on behalf of the Group, PICL has day-to-day responsibility for risk management. Accordingly the processes set out below also apply to the wider group where relevant.

The Company's Board is responsible for overseeing the business of PICL, for providing strategic direction and for supervising management. While the Board delegates certain functions to Sub-Committees, this does not absolve the Directors of their responsibility to the Company.

The PICL Board operates under agreed Terms of Reference which set out the following key responsibilities:

- Setting the strategic direction and objectives of the Company
- Ensuring the integrity and reliability of the Company's finances, including
 - Business planning
 - Capital and Solvency position
 - Directors' remuneration
 - Dividend policy
 - Accounting policies
 - Approval of public documents
- Approving, managing and monitoring the internal and external audit strategy and the performance and effectiveness of the external and internal auditors
- Establishing an appropriate internal control system and monitoring its effectiveness
- Approving the underwriting strategy and policy and monitoring its implementation
- Establishing an effective risk management framework including risk management strategies and policies and risk appetite and tolerance limits
- Overseeing the calculation of the SCR and technical provisions
- Overseeing, guiding and challenging the ORSA and approving the ORSA report
- Overseeing the completion of quarterly and annual QRTs, the SFCR and the RSR

The Company has in place a Claims and Underwriting Committee, which operates under agreed Terms of Reference approved by the Board. The key responsibilities of the Committee include:

- Implementing and overseeing the claims handling, reserving and settlement strategy and philosophy
- Overseeing the performance of all product lines and intermediaries/distributors
- Receiving, considering, reviewing, challenging and agreeing recommendations and proposals for changes to the underwriting and/or rating
- Considering business opportunities and underwriting proposals presented by management



- Assisting with the negotiation, placement, performance and monitoring of the reinsurance arrangements
- Providing input into the calculation of the SCR and technical provisions
- Providing input into the ORSA process
- Considering and advising on insurance risk management, including risk identification, controls, appetite and mitigation
- Monitoring and reporting on market trends and legislative or regulatory changes
- Reporting on all relevant matters to the Board

The Company has in place an Investment Committee, which operates under agreed Terms of Reference approved by the Board. The key responsibilities of the Committee include:

- Providing guidance on, managing and monitoring the investment and cash flow strategy
- Overseeing the performance of investments and investment managers
- Advising on investment risk strategy and policy and risk appetites and limits
- Providing input into the calculation of the SCR
- Providing input into the ORSA process
- Ensuring appropriate information is required for regulatory reporting purposes
- Reporting on all relevant matters to the Board

B.1.2 Key Functions

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

- Risk Management
- Compliance
- Actuarial
- Internal Audit

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

B.1.2.1 Risk Function

The Board of PICL retains full responsibility for the risk function. The function is overseen by Stephen Quinn.

The function holder is supported in his role by the outsourced service providers, including the Company's insurance manager and the third party administrator, who provide input into and assistance with risk management and provide regular risk reporting.



The Board has retained responsibility for risk management and the function therefore has the required authority to fill its role.

B.1.2.2 Compliance Function

PICL outsources compliance services to its insurance manager, with the function overseen by Paul Gray. The compliance team works closely with the wider group in providing compliance services to the Company.

The Board has approved a compliance monitoring programme, which is updated on an annual basis, and is intended to ensure that PICL complies at all times with all relevant rules, regulations, legislation and guidance to which the Company is subject, both in Gibraltar and, where applicable, in the UK.

Being outsourced, the function is operationally independent from the other areas of the business and, while it reports to the Board, the Board is not able to influence the function or to exert other inappropriate pressures. The Compliance function is authorised to access all areas of the business and is therefore entitled to full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

The Compliance function formally reports to the Board on a quarterly basis.

B.1.2.3 Actuarial Function

The Actuarial Function has specific duties and responsibilities under Solvency II. PICL now outsources the services of this function to an independent provider, with Paul Gray acting as the Actuarial Function Holder. In addition, PICL retains an external actuary, Milliman LLP, to carry out at least annual reserve reviews and provide an element of operational independence.

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

- Coordinating the calculation of the firm's technical provisions
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions against the data quality standards as set in Solvency II
- Informing the Board of the reliability and adequacy of the calculation of technical provisions
- Expressing an opinion on the overall underwriting policy
- Expressing an opinion on the adequacy of reinsurance arrangements
- Contributing to the effective implementation of the risk management system
- Preparing the Actuarial Function Report for the Board at least annually

Although the function is overseen by an Executive Director, the fact that it is outsourced provides a high degree of independence from the day-to-day operations of the business.



B.1.2.4 Internal Audit

PICL's Internal Audit function is overseen by the Company's Non-Executive Director, Peter Abbott. Internal Audit is responsible for evaluating the approach to risk management and governance, with particular emphasis on the internal control system.

PICL outsources the Internal Audit function to PwC, who have the skills, knowledge and expertise to provide the services and are entirely independent from operational aspects of the business.

B.1.3 Changes during the Period

The following change took place during the year for PICL:

Paul Tysoe Resigned as Director: 13th April 2017

Mike Christophers Appointed as Director: 1st October 2017

The following change took place during the year for PUDEL:

Paul Tysoe Resigned as Director: 13th April 2017

Mike Christophers Appointed as Director: 29th January 2018

The following change took place during the year for PACSL:

Paul Tysoe Resigned as Director: 13th April 2017

B.1.4 Remuneration Policy

PUGHL/PUDEL/PACSL

These Companies do not have any employees other than the Directors. Only the Non-Executive Directors of PUDEL receive remuneration in the form of fees.

PICL

PICL does not have any employees other than the Directors of the Company. During the year ended 31 December 2017 only three of the Directors, being the previous Actuarial Function Holder and the two Non-Executive Directors, received remuneration from the Company. The other Directors are remunerated elsewhere, although the Managing Director receives a benefit in kind in the form of the UK property held by PICL being available for his private use.

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



Employees/Directors receive remuneration commensurate with their skill, knowledge and experience, qualifications and role within the company. The remunerated directors received a fixed salary or fee, with contract terms agreed by the Board. Health care benefit is provided to the Managing Director. Directors may receive bonuses from time to time, but any bonuses which are granted are purely discretionary and are based on the overall performance of the Company and the Group during the relevant period.

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

The previous Actuarial Function Holder had a defined contribution pension arrangement whereby 10% of basic salary was paid in each year.

B.1.5 Material Transactions

During the year, PICL paid a fee of £267,640 (2016 - £240,000) to its insurance manager for services provided. One of PICL's Directors is also a Director of the insurance manager. At 31 December 2017, the balance owed by PICL was £25,000 (2016 - £20,000).

During the year, PICL made a property available for private use by its Chief Executive Officer, Paul Gray.

During the year, PICL paid intellectual property charges of £440,000 (2016 - £440,000) to its parent. At 31 December 2017, the balance owed by PICL was £18,506 (2016 - £18,506).

B.2 Fit and Proper Requirements

Fit and Proper requirements are applied on a consistent basis across all entities within the Group.

B.2.1 Requirements for Skills, Knowledge and Expertise

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

The fitness requirements set out that collectively the relevant Boards and Committees cover at least the following areas:

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



B.2.2 Policies and Processes with regard to Fit Requirements

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

B.2.3 Policies and Processes with regard to Proper Requirements

All individuals carrying out key or significant functions for the Group are required to demonstrate that they meet the Group's proper requirements with regard to their reputation and character. In order to assess whether this requirement is met, the following factors will be considered:

- the individual's character;
- the individual's personal behaviour;
- the individual's business conduct;
- any criminal aspects;
- any financial aspects;
- any regulatory aspects.

The compliance function ensures that appropriate Notification Documents are prepared for all individuals carrying out notifiable functions and submitted for regulatory approval. The compliance function is responsible for checking propriety on an ongoing basis and to report to the relevant Board at least annually.

B.3 Risk Management System including ORSA

B.3.1 Risk Management System

Group Risk Management

PUHGL is responsible for ensuring there is appropriate risk management on a Group basis, encompassing all subsidiaries. The PICL risk management framework, which is described below, drives the Group's risk management and PICL has operational responsibility for risk management. All regulated companies have a risk register and group risks and solvency requirements are considered as part of the Group ORSA process. PICL carries out the Group solvency calculations and prepares the ORSA report which is combined for the solo entity and the Group.

B.3.1.1 Overview

Taking risk is inherent in insurance business. However, such risks must be carefully managed and controlled and accordingly, PICL has put in place a risk-management framework to ensure that the business is managed at all times



in a risk-focussed manner. The Company has in place policies, processes and procedures for each category of risk and categorises its risks as follows:

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

Risk management responsibility has been retained by the Board. However, due to the small size of the Company, it depends on assistance from individuals within its outsourced service providers, in particular its insurance manager and third party administrator.

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

B.3.1.2 Risk Management Strategies, Objectives, Processes and Reporting

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

The Company sets risk appetite and tolerance limits for each category of risk and monitors performance against these on a six-monthly basis. This is in addition to the ongoing monitoring of the underwriting performance.

B.3.1.3 Identification, Measurement, Monitoring, Management and Reporting of Risks

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

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

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



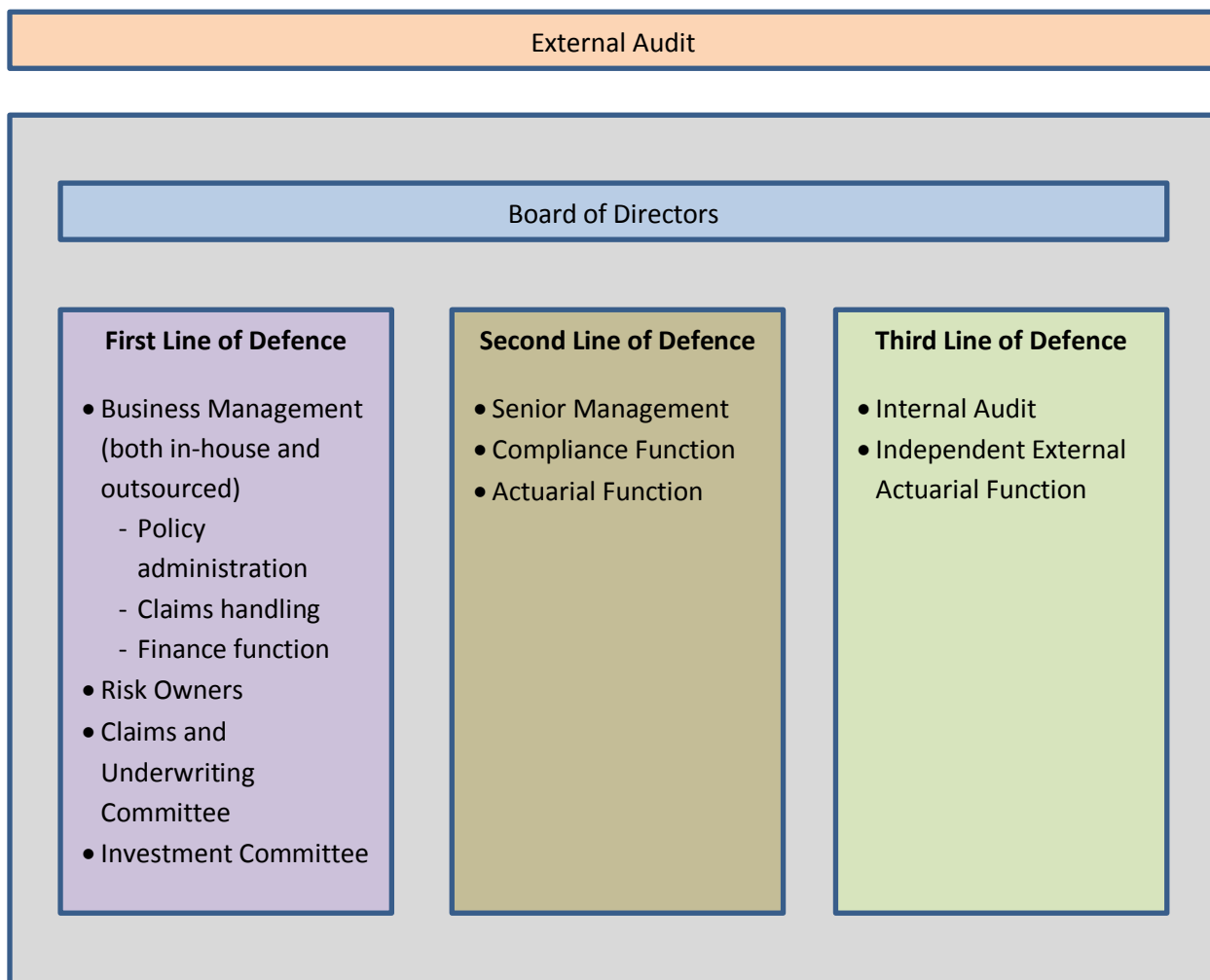
Risk management involves the Board as well as key outsourced providers. All forums and individuals involved in risk management have a duty to inform the Compliance, Internal Audit or Actuarial functions of any facts that may be relevant to these functions in performing their duties.

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

B.3.1.4 Implementation of Risk Management Function

The Board of PICL has retained responsibility for the risk management function. While the Company relies on its outsourced service providers for elements of the day-to-day operation of risk management, oversight and control remains with the Board. This ensures that risk management is fully integrated into PICL's business and its decision-making processes.

PICL and the Group operate a three-lines of defence model as set out below:





First line of defence: Responsible for the day-to-day management and control of risk and the establishment and operation of appropriate internal control measures.

Second line of defence: Responsible for operation of the risk management framework and oversight of risk control and management. Has a level of independence from the day-to-day management and provides the Board with some assurance over the effectiveness of the risk management system.

Third line of defence: Responsible for providing independent assurance on the effectiveness of the first and second lines of defence and over the risk management framework and system of internal controls.

B.3.2 Own Risk and Solvency Assessment

B.3.2.1 ORSA Process and Integration

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

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

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

As part of the ORSA process, management assess the risks to which the Company and the Group are exposed that their potential impact on the capital requirement together with any other relevant mitigating factors. This consists of both a quantitative assessment through appropriate stress and scenario tests, as well as a qualitative assessment of risks which may not be covered by capital. The outcome from the ORSA process is to determine the level of capital which the Board consider appropriate for the business.

In addition to the formal annual ORSA, the Company has set thresholds triggering an additional assessment as follows:

- Business volumes increasing more than 33% above budget
- Ultimate loss ratio for any underwriting year deteriorating by more than 5 points compared to existing projections
- Non-motor business lines being entered into



- A fall in the SCR buffer below risk appetite limits
- A severe market shock leading to investable assets dropping by 5% or more in value

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

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

B.3.2.2 Relationship between Solvency Needs, Risk Profile, Capital Management and Risk Management

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

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

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

B.4 Internal Control System

B.4.1 Internal Control System

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

Responsibility for establishing an appropriate internal control environment rests with the Board of each company as a whole and its Directors individually and is under the ultimate oversight of PUHGL. All companies in the Group have established internal control systems which take due account of the nature of their respective business. Responsibility for adherence to internal controls rests with all individuals involved in the management of the business.



The internal control policy is targeted at ensuring that:

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

Key controls that operate to mitigate risks are recorded in the appropriate risk register. The internal control framework for PICL is subject to review by PICL's internal audit function.

B.4.2 Compliance Function

B.4.2.1 Implementation of Compliance Function

As regulated entities, both PICL and PUDEL have established a compliance function. While compliance is focussed on the regulated entities within the Group, any relevant matters with regard to other group companies will also be considered and discussed at the appropriate Board meetings and will be reported as required.

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

The Group outsources its Compliance function to PICL's insurance manager, with a named Compliance Officer having overall responsibility. The compliance function has established a Compliance Monitoring Programme which is approved by the Board on an annual basis. Compliance formally reports to the Board on a regular basis with regard to the tasks carried out.

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

B.4.2.2 Independence and Authority of Compliance Function

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

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

The Board considers and approves the compliance monitoring programme on an annual basis to ensure that all relevant areas are captured and receives the quarterly compliance reports, but does not otherwise seek to instruct or influence the Compliance function.



B.5 Internal Audit Function

B.5.1 Implementation of the Internal Audit Function

Internal Audit is an objective and independent activity, whose role is to help management achieve the Company's objectives by constantly improving the effectiveness of the Company's operations. It is responsible for evaluating management's approach to risk management and governance, with particular emphasis on systems of internal control. It investigates the manner in which the Company's processes and controls operate in order to assess their effectiveness in ensuring compliance with strategy and policies.

PICL is the only entity within the Group which has formally implemented an Internal Audit function in line with Solvency II requirements.

PICL's Internal Audit function covers all aspects of the Company's business. In particular, it considers:

- Underwriting
- Claims
- Finance
- Compliance
- Reinsurance
- Solvency II
- Corporate Governance
- Investments

Internal Audit produces a three-year plan to ensure that all relevant areas are covered within an appropriately determined timeframe, taking into account the relevant risks, and uses this plan as the basis for the detailed annual plan. Internal Audit carries out its examination at least once per annum and as requested on an ad hoc basis on any additional areas.

PICL outsources the Internal Audit function to an external accountancy firm.

A number of internal processes and procedures will be taken into account by the outsourced provider in discharging their duties:

- The Board, with the assistance of its insurance manager, carries out an internal review of the governance, risk management and business planning systems and processes, including its own procedures, on an annual basis
- PUL carries out periodic audits of the claims handler and key brokers
- Internal Audit will liaise with and leverage the work of the external auditors

After each audit, appropriate reports are produced.

- An initial report is produced for discussion with management in the relevant area. The draft report should be produced no later than six weeks of the audit work finishing.
- Management's responses and proposed actions will be noted and an agreed final report will be issued. The final report should be issued no later than four weeks of the draft report being agreed.
- The final report will be submitted to the Board for review at the next meeting.



B.5.2 Independence and Objectivity of the Internal Audit Function

Internal Audit is outsourced to an external accountancy firm with the required skill set and experience and is not involved in any operational aspects of the business. This ensures that the function is independent, objective, impartial and not subject to influence from the Board or management.

Internal Audit is authorised to review all areas of the Company and its business and is therefore entitled to have full and unrestricted access to all information, records, property, personnel and activities. Staff and management (even if not staff of the Company) have a duty to make all requested information available promptly and to assist with any enquiries.

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

B.6 Actuarial Function

B.6.1 Implementation of Actuarial Function

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

PICL is the only insurance company in the Group and therefore the only entity to have established an Actuarial Function.

PICL's Actuarial Function covers all aspects of the business with regard to insurance risks. This encompasses:

- Considering the Company's underwriting policy
- Considering the Company's Reinsurance arrangements
- Other risk mitigations
- Reserving
- Capital
- Data

During part of the year, PICL had an in-house qualified actuary who acted as the Actuarial Function Holder. Since April 2017, PICL now outsources the actuarial function services to a third party actuarial firm. In addition, reserve reviews are carried out at least annually by an independent, external actuary.

The Actuarial Function is responsible for the following areas:

- Oversight and validation of the calculation of technical provisions
- Assessment of the appropriateness of methodologies and assumptions used and consistency with Articles 76 to 83
- Explanation of any material changes in data, methodologies or assumptions
- Assessment of the sufficiency and quality of the data and consistency with data quality standards
- Recommendations to improve data quality where required
- Back-testing of best estimates against actual experience, reporting of material deviations and proposals to improve calculation
- Opinion on overall underwriting policy



- Opinion on adequacy of reinsurance arrangements

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

B.7 Outsourcing

B.7.1 Outsourcing Policy

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

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

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

The Group's outsourcing policy sets out detailed requirements to include the following:

- Responsibility for implementation and operation of the policy and consequent controls and processes
- The criteria for outsourcing
- Due diligence on potential providers
- Establishment of appropriate contractual arrangements which clearly define responsibilities and allow adequate supervision and control
- Establishment of appropriate contingency planning, including terminating or exiting the arrangement
- Periodic audit requirements
- Records of outsourced arrangements
- The approval process
- Contract and legal requirements
- Risk assessment and risk mitigation measures
- Monitoring and on-going requirements

B.7.2 Outsourced Functions and Activities

The following table sets out the key functions currently outsourced:



Function/Services	Jurisdiction
Policy administration and processing including provision of management information	United Kingdom
Claims handling, reserving and settlement	United Kingdom
Accounting and financial services	Gibraltar
Assistance with risk management	Gibraltar
Compliance services	Gibraltar United Kingdom
Company secretarial services	Gibraltar
Internal audit	Gibraltar
Actuarial function services	Gibraltar

B.8 Any other Information

B.8.1 Adequacy of Systems of Governance

The Premier Group is a small group with the directors of each company closely involved in all key aspects of the business. The Group is not complex, focussing entirely on a single line of business, with known and fully understood risks. The systems of governance have therefore been established taking due account of the principle of proportionality, being appropriate to the size, nature and scale of the operations.

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

B.8.2 Any other Material Information

There is no other material information to report as at 31 December 2017.

C. Risk Profile

PICL's governance framework sets out the type and level of risk which the Company is willing to accept in the achievement of its strategic goals and is also the over-arching risk framework for the Premier Group. This framework provides both qualitative and quantitative measures and limits, which are taken into account in making key business decisions.

PICL's current appetite is for the business to focus solely on motor risks in the UK. The Company does not write any ancillary business or generate similar income from other sources.

With regard to investments, the Company pursues a strategy which is focussed on capital preservation, thus adopting a careful and conservative investment policy.

PICL's and the Group's risk profiles at 31 December 2017 and 31 December 2016 are set out in the tables below.

Group risk profile:

Risk Category	2017 % of SCR	2016 % of SCR
	%	%
Non-Life Risk	54.9%	61.4%
Life Risk	0.5%	0.7%
Market Risk	14.8%	13.5%
Counterparty (Credit) Risk	14.6%	14.8%
Operational Risk	15.2%	9.5%

Company risk profile:

Risk Category	2017 % of SCR	2016 % of SCR
	%	%
Non-Life Risk	59.0%	65.2%
Life Risk	0.5%	0.8%
Market Risk	11.4%	9.2%
Counterparty (Credit) Risk	13.3%	14.9%
Operational Risk	15.8%	9.8%



C.1 Underwriting Risk

C.1.1 Material Risks

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

PICL distributes the majority of its business via intermediaries, with a significant proportion being sourced through a direct product. The industry in which the Company operates is highly competitive. Furthermore, the motor market has been subject to numerous regulatory and legislative changes in recent years and is highly sensitive to the economic environment, the behavior of policyholders and actions of other service providers to the industry, such as claimant lawyers and claims management companies.

The Company manages underwriting risks through regular review of performance information, encompassing loss ratios, frequency, and cost of claims by products, heads of damage, risk factors and distribution channels.

The following are the key underwriting risks identified by management:

- Loss of non-capitalised reinsurance offering in the market
- Higher than expected claims – frequency
- Higher than expected claims – average cost per claims
- Delay in handling/settlement of claims
- Over-reserving

C.1.2 Material Risk Concentrations

All of PICL's business comprises motor insurance, therefore leading to some risk concentration due to exposure to market factors. However, within this class of business, PICL writes a variety of different categories of risks, including private cars comprehensive, private cars non-comprehensive, and commercial vehicles. In addition, distribution is through a number of intermediaries. The Directors therefore do not consider there to be any material underwriting risk concentration.

C.1.3 Risk Mitigations

PICL mitigates underwriting risk through the purchase of reinsurance protection and the implementation of appropriate controls.

PICL purchases Excess of Loss reinsurance to protect against the impact of large claims. In addition, the Company has in place a Quota Share reinsurance arrangement to mitigate the impact of lower value, attritional losses.

PICL further mitigates underwriting risk through the following:

- Checking and review of rates



- Review of monthly management information
- Fraud checks
- Review of claims performance
- Oversight and management of the claims handler
- Regular audits of intermediaries
- Regular audits of the claims handler
- In-house oversight of large claims
- Regular updates of the risk register, including reporting of any risk events
- Stress testing of loss ratios as part of the ORSA process

C.1.4 Stress and Sensitivity Testing

PICL carries out stress and sensitivity testing as part of the ORSA process, which is carried out at least annually. This considers stresses both with regard to business volumes, future loss ratios and the run off of existing reserves. This showed that the greatest sensitivity arises from changes in the run-off performance of existing business or in a material (30%+ on a solo basis; 55%+ on a group basis) increase in premium volumes. The future year's solvency position would also be impacted by future loss ratios being adverse to expectations.

However, all scenarios show that, while there would be a reduction in the buffer for any adverse scenario, the strain would only become severe and result in the breach of the SCR in the most extreme and therefore highly-unlikely scenarios. Additionally, on a group basis, the capital position remains significantly stronger.

This is consistent with the strong capital base maintained by both the Company and the Group.

C.2 Market Risk

C.2.1 Material Risks

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

- Interest rate risk
- Spread risk
- Equity risk
- Currency risk
- Property risk
- Concentration risk

The Group pursues a conservative investment policy, focused on the preservation of capital. PICL has a diversified investment portfolio, while other companies in the group hold assets in cash or in property. As a result, the Company does not invest in equities, only has limited investment in property and aims to fully hedge any currency



risk which may arise. Property investments are limited to a single property owned by the Company for use by one of the Directors and other properties owned by the Group for use by Directors and other group employees.

PICL outsources the management of its investment portfolios to carefully selected and experienced investment managers who operate under an approved investment policy and within agreed guidelines. As well as setting limits with regard to the type of investments and the rating of counterparties, the policy sets a benchmark return and imposes limits on exposure to single counterparties. PICL's Investment Committee meets on a regular basis to assess the performance of the portfolio and recommend any changes which may need to be made.

The main market risks to which the Company and the Group are exposed are:

- Collapse of banking counterparty
- Reduction in the value of properties
- Collapse in value of bonds

C.2.2 Material Risk Concentrations

PICL and the Group have in place a diversified investment portfolio, maintain more than one banking relationship, and ensure that bank balances do not reach a level where they result in undue risk.

However, the property investments represent a single property in the UK, several residential apartments in a single block in Gibraltar and office space in Gibraltar. This results in some risk concentration, but the Directors believe that this is adequately reflected in the property risk capital charge.

C.2.3 Risk Mitigations

The Group mitigates market risk through the following mechanisms:

- Regular review of investment performance
- Use of more than one investment manager
- Use of more than one banking counterparty
- Portfolio diversification

C.2.4 Prudent Person Principle

Both PICL and the Group are obliged to comply with the Prudent Person Principle in their investment decisions. This principle sets out how investments should be managed by having due regard to prudence and the interests of policyholders. It includes various aspects such as asset-liability management, investment in derivatives, liquidity risk and concentration risk management; appropriate due diligence and process, taking account of the purposes for which the funds are managed; care, skill and delegation requiring an adequate understanding of the risks; and the protection of policyholders' interests, in particular to ensure solvency is not impaired.



The Group pursues a conservative investment policy, which ensures investments are limited to relatively standard and easily understood products, the performance of which the company is able to readily monitor and manage. The investment policy balances capital preservation with investment return and sets limits with regard to rating and other measures, taking into account the nature and duration of the Group's liabilities. In addition, the policy requires appropriate diversification of exposure within the portfolio.

PICL only utilizes derivatives for hedging purposes and these are fully taken into account in the ongoing performance of the portfolio. With the exception of property and derivatives used for hedging purposes, the company's policy is to hold investments that are traded regularly and therefore have a ready market value and are highly liquid.

Occasionally, the Group may choose to invest in funds which themselves invest in more unusual or complex instruments, potentially including derivatives and securitised investments or other instruments. In such a case, the relevant company will carry out appropriate diligence on the investment or fund manager to ensure that they have the required skill, knowledge, understanding and experience to manage any additional risk which may arise from such investments.

The Group does not directly undertake any unusual or non-routine investment activities. However, should any such investments be proposed, PICL's Investment Committee will:

- Assess the impact on the Company's and the Group's risk profile, consider whether a revised ORSA is required as a result and make the necessary recommendation to the Board;
- Ensure that appropriate skills are in place to manage and monitor the investment activity – either internally or within the investment manager;
- Demonstrate to the Board how the proposed investment activity will improve the portfolio as a whole.

C.2.5 Stress and Sensitivity Testing

PICL includes stress testing of market risk in its ORSA process, in particular with regard to a shock to the risk free interest rate used to discount cash flows under Solvency II and a shock to the bond market resulting in a fall in value of the investments coupled with a credit down-grade.

Due to the nature of the investments held, being largely in a diversified portfolio of bonds, a major shock to the bond market (10% drop in market value) would adversely impact the Company, such that PICL could fall below its SCR. However, the additional capital held at Group mitigates this risk and would then be made available to the Company.

C.3 Credit Risk

C.3.1 Material Risks

Credit risk arises from the risk that parties who owe money to companies in the Group are unwilling or unable to pay the amounts due. Credit risk arises from a number of sources:

- Banking counterparties
- Reinsurance counterparties



- Issuers of fixed income securities
- Premiums due from intermediaries

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

C.3.2 Material Risk Concentrations

The Group's credit risk exposures during the year were diversified as set out below:

- Funds were held with more than one banking counterparty
- Reinsurance exposure is diversified between more than one counterparty
- PICL's bond portfolio is diversified between counterparties
- PICL uses a number of different intermediaries in distributing its products

C.3.3 Risk Mitigations

The Group mitigates credit risk through a number of mechanisms:

- Purchase of credit insurance
- Distribution through multiple brokers and distribution channels
- Carrying out periodic audits of brokers
- Using an experienced reinsurance broker
- Ensuring reinsurance counterparties are appropriately rated
- Monitoring reinsurance recoveries
- Ensuring banking counterparties are appropriately rated

C.3.4 Stress and Sensitivity Testing

PICL depends on its reinsurance programme in mitigating risk, in particular with regard to large risks covered by Excess of Loss reinsurance. Hence the credit risk arising from these arrangements needs to be appropriately managed. The risk of reinsurers suffering a credit downgrade is therefore one of the stresses considered as part of the ORSA process. This demonstrates that the largest exposure is to PICL's Quota Share reinsurer. However, due to the overall diversification of reinsurers, PICL is relatively resilient to this risk, being able to withstand a credit step downwards movement. The Group position is further protected by the higher level of solvency maintained.



C.4 Liquidity Risk

C.4.1 Material Risks

Liquidity risk is the risk of losses from an inability to pay liabilities as they fall due. The Company has a low level of liquidity risk, due to the nature of the investment portfolio and the amount of funds held with banks, with only a manageable amount invested in property. The Company therefore does not have any material liquidity risk exposure.

C.4.2 Material Risk Concentrations

There are no material liquidity risk concentrations due to the diversified and highly liquid nature of the majority of the Company's investment portfolio.

C.4.3 Risk Mitigations

Liquidity risk is mitigated through the carefully structured and diversified investment portfolio and the funds held with banks.

C.4.4 Stress and Sensitivity Testing

Liquidity risk is not subject to separate stress and sensitivity testing as the risk is not considered to be material to the Company.

C.4.5 Expected Profit in Future Premiums

The amount of expected profit in future premium as at December 2017 is £310,173 (2016 – £455,383).

C.5 Operational Risk

C.5.1 Material Risks

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

PICL and the Group have identified the following key operational risks:

- Loss of PUL or key individuals at PUL
- Loss of a key broker or distribution channel
- Breach of Data Protection regulations, especially once GDPR is implemented



- Adverse government policy
- Adverse publicity for the home jurisdiction
- The UK having decided to exit the EU
- Market-wide regulatory actions due to market issues
- Unilateral regulatory actions that impact the Company's status
- Insolvent failure of a Gibraltar motor insurer
- Change in UK government leading to adverse policy with regard to Gibraltar

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

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

C.5.2 Material Risk Concentrations

There are not material risk concentrations.

C.5.3 Risk Mitigations

PICL has a strong internal control framework to mitigate operational risk. This encompasses the following key controls in managing operational risk:

- Four-eyes processes for production and analysis of management information
- Detailed analysis and review of monthly management information
- Four-eyes processes for financial information and payments
- Oversight, monitoring and control of outsourced providers
- Data integrity and other IT controls at service providers
- Appropriate Disaster Recovery and Business Continuity Plans
- Involvement of Directors in all key operational areas of the business
- Board discussion of all negative publicity
- Regular dialogue with all key stakeholders and counterparties
- Monitoring limits on complaints
- Monitoring and reporting by the Compliance function

C.5.4 Stress and Sensitivity Testing

Operational risk is included in the Standard Formula, with an appropriate risk charge calculated. In addition, a number of operational risks would directly impact underwriting risk and are therefore also captured. As part of the ORSA process, the Company also considers those risks which may not be fully captured in the Standard Formula, in particular a number of reputational risks. These risks are managed through appropriate controls and other mitigating actions, such as close involvement of the Board in all key operational decision.



C.6 Other Material Risks

In June 2016 the United Kingdom voted to leave the EU and, without transitional provisions, this is scheduled for March 2019. The outcome of the negotiations on the UK's exit continues to remain uncertain in the meantime. While the Group writes business solely into the UK and it is anticipated that the ability of Gibraltar companies to write UK business will be retained, there is likely to be a period of economic and political uncertainty. This has the potential to impact the Group operationally.

The Board continues to monitor developments as they occur to ensure that actions are taken to mitigate any potential adverse impact as far as possible.



D. Valuation for Solvency Purposes

D.1 Assets

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

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

Group:

	As at 31 December 2017		As at 31 December 2016	
Description	Solvency II Value	GAAP Value	Solvency II Value	GAAP Value
	£'000	£'000	£'000	£'000
Property	4,810	4,818	4,595	4,604
Government Bonds	4,267	0	4,341	0
Corporate Bonds	19,471	25,921	14,231	21,738
Collateralised Securities	0		431	0
Collective Investment Undertakings	2,378		3,030	0
Derivatives	-2,854		-741	0
Deposits other than cash equivalents	2,658		1,243	0
Insurance and Intermediaries Receivables	0	3,152	0	4,320
Reinsurance Receivables	0	1,849	0	122
Receivables (trade, not insurance)	470	470	495	200
Cash and cash equivalents	7,578	7,579	8,898	9,446
Deferred Acquisition Costs		1,151	0	1,241
Any Other Assets		23	0	574



Company:

	2017		2016	
Description	Solvency II Value	GAAP Value	Solvency II Value	GAAP Value
	£'000	£'000	£'000	£'000
Property	2,225	2,233	2,225	2,234
Government Bonds	4,267	0	4,341	0
Corporate Bonds	19,471	25,921	14,231	21,738
Collateralised Securities	0	0	431	0
Collective Investment Undertakings	2,378	0	3,030	0
Derivatives	(2,854)	0	(741)	0
Deposits other than cash equivalents	2,658	0	1,243	0
Other Investments	0	0	0	0
Insurance and Intermediaries Receivables	0	3,152	0	4,320
Reinsurance Receivables	0	1,849	0	122
Receivables (trade, not insurance)	142	142	15	15
Cash and cash equivalents	4,671	4,672	6,850	8,122
Deferred Acquisition Costs	0	1,151	0	1,241
Any Other Assets	0	23	0	277

D.1.1 Property

As at 31 December 2017, PICL held property valued at £2.2 million (2016 – £2.2 million). This property is held for use by the on of the Directors. As at 31 December 2017, the Group held property valued at £4.8 million (2016 - £4.6 million), representing commercial office space and other properties owned for use by the Directors and/or other group employees.

The properties are valued at open market value, the latest valuation having been carried out in October 2017, and the same value is used for Solvency II and GAAP purposes. The GAAP value additionally includes a small element of fixed assets, which have been ascribed no value under Solvency II. No significant estimates or judgements have been made in arriving at the valuation.

D.1.2 Bonds

At the year end, PICL had a total of £23.7 million (2016 – £18.6 million) invested in government and corporate bonds and these also represented the Group's investment. The Company's investment portfolios are managed by external investment managers with monthly reporting to PICL setting out the composition and the performance of the portfolio.

Investments are valued at fair value, being the market prices for identical assets in active markets, and the valuations are the same for GAAP and Solvency II purposes. No significant judgements or estimates are used, and there has been no change in the basis of recognition and valuation.



D.1.3 Collateralised Securities

At 31 December 2017 PICL and the Group held no investment in collateralised securities. At 31 December 2016, PICL held £431,157 in such investments. This represented a securitisation in respect of bonds backed by the refinancing and sale of UK residential properties.

These investments were valued at fair value, being the market prices for identical assets in active markets and there were no valuation differences between GAAP and Solvency II. For GAAP purposes, these investments were included in the same category and bonds and other fixed income investment.

D.1.4 Collective Investment Undertakings

At 31 December 2017 PICL held £2.4 million (2016 – £3.0 million) in collective investment schemes, this also representing the investments of the Group in these assets. These are funds which are actively traded and therefore have readily ascertainable market values and assets are valued at market value both for GAAP and for Solvency II, with no significant estimate or judgements being utilised. There has been no change in the valuation and recognition basis during the year.

D.1.5 Derivatives

The Derivatives balance has been shown as being the asset, net of the related liability and without allowing for the margin account. Comparatives have been restated on the same basis.

At 31 December 2017 the Company held a short position in UK Gilt Futures with a March 2018 expiry with a nominal value of £2,200,000 and a market value of £2,657,200. This position is used to hedge the interest rate risk arising from holding corporate bonds in the investment portfolio. These futures are actively traded and therefore have readily ascertainable market values and assets are valued at market value both for GAAP and for Solvency II, with no significant estimate or judgements being utilised. There has been no change in the valuation and recognition basis during the year.

On 23 November 2017 the company entered into a forward sale of €1,791,000 to buy £1,595,781 for settlement on 24 January 2018. As at 31 December 2017 the forward value was £1,590,784. The currency forward is used to eliminate the currency exposure that arises as a result of the company holding an investment in a fund that is valued in Euro's.

These investments also represent the derivatives held by the Group.

The investment policy of the company is such that the currency forward positions are rolled forward prior to settlement date. The currency forward counterparty is a highly rated bank. The currency forward market is an active and liquid market and therefore the forward has a readily ascertainable market value for GAAP and for Solvency II, with no significant estimate or judgements being utilised. There has been no change in the valuation and recognition basis during the year.



For GAAP purposes, derivative assets and liabilities are shown gross, whereas for Solvency II purposes a net position has been reported, representing the Company's exposure.

D.1.6 Deposits, Cash and Cash Equivalents

At the year end, PICL held £7.3 million (2016 – £8.1 million) either in term deposits, or in cash and cash equivalents with banking counterparties. At year end, the Group held £10.2 million (2016 - £10.1 million). All amounts are held in GBP and either in the UK or in Gibraltar.

Deposits, cash and cash equivalents are valued at fair value, based on the actual balances held, and monthly statements are received.

The valuation of these assets is the same for GAAP and Solvency II and no estimates or judgements have been used, other than that for GAAP purposes the deposits have been included in the investment balance. For Solvency II purposes the futures margin account is shown separately from the related derivative balance. In 2016, the margin account was netted against the derivative balance. Other than this, there has been no change in the basis on which these items are valued and recognised.

D.1.7 Insurance and Intermediaries Receivables

Insurance and intermediaries receivable items represent premiums owed to PICL from its brokers, less commission and including IPT. At the year end, the Company was owed £3.2 million (2016 – £4.3 million). These also represent such balances due to the Group. Contracts with the brokers set out payment terms and at 31 December 2017 no amounts were overdue.

Premiums receivable are valued at fair value, being the amounts recoverable, and as no amounts are overdue, there have been no significant estimates or judgements made in arriving at the valuation. There has been no change in the valuation and recognition basis during the year.

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

D.1.8 Reinsurance Receivables

At 31 December 2017 PICL had £1.8 million (2016 – £0.1 million) of reinsurance receivables, being premiums due to the Quota Share reinsurer less claims, cost and commission receivable. These also represent such balances due to the Group.

These amounts are valued at fair value, being the actual net amount receivable by PICL. There are no material judgements, as PICL does not have any sliding scale arrangements in place for its Quota Share arrangement.

There have been no changes in the valuation and recognition basis during the year, and there are no difference in the underlying valuation for GAAP and Solvency II. However, for Solvency II purposes these items, to the extent they



are not considered overdue, are set against technical provisions reinsurance recoverables, whereas under GAAP they are shown separately on the balance sheet.

D.1.8 Receivables (trade, not insurance)

At 31 December 2017, PICL had other receivables of £0.1 million (2016 – £0.02 million), representing tax and inter-company debtors. The Group had total receivables of £0.5 million (2016 - £0.3 million), representing profit commission due to PUDEL and tax. These items are valued at the amount recoverable and there is no difference between the Solvency II and the GAAP valuation basis. There has been no change in the basis during the year.

D.1.9 Deferred Acquisition and Processing Costs

Deferred acquisition costs represent commission and similar expenses directly related to the acquisition of policies, which are deferred over the period relating to the underlying unearned premiums. At 31 December 2017, PICL had £1.2 million (2016 – £1.2 million) of deferred acquisition and processing costs, this also presenting such deferred costs of the Group.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred acquisition costs do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet. There has been no change in the recognition and valuation basis during the year.

D.1.10 Other Assets

On a GAAP basis, PICL had £0.02 million (2016 – £0.3 million) of other assets, representing accrued interest and prepayments. The Group had £0.02 million (2016 - £0.6 million) of other assets, representing accrued interest and accrued interest. For Solvency II purposes, accrued interest is allocated to the underlying investment. Prepayments do not result in future cash flows and therefore are not ascribed a Solvency II value.

D.2 Technical Provisions

Technical Provisions represent the insurance liabilities as at the reporting date. PICL is the only group Company with Technical Provisions and PICL's gross and net Technical Provisions by business line are set out in the table below:

2017	Motor Liability	Other Motor	Annuities from Non-Life obligations	Total
	£'000	£'000	£'000	£'000
Gross Best Estimate Technical Provisions	50,038	423	11,939	62,400
Risk Margin	1,596	12	22	1,631
Total Gross Technical Provisions	51,634	435	11,961	64,030
Reinsurance Recoverables	(33,466)	(295)	(11,710)	(45,471)
Net Technical Provisions	18,168	140	251	18,559

2016	Motor Liability	Other Motor	Annuities from Non-Life obligations	Total
	£'000	£'000	£'000	£'000
Gross Best Estimate Technical Provisions	26,918	688	11,815	39,421
Risk Margin	1,328	27	17	1,371
Total Gross Technical Provisions	28,245	715	11,831	40,792
Reinsurance Recoverables	(12,740)	(402)	(11,634)	(24,777)
Net Technical Provisions	15,505	312	197	16,015

The Group's Technical Provisions are in line with the Company's except for the risk margin which takes account of the increased counterparty risk from group cash balances. The Group's Technical Provisions are set out in the tables below:

As at 31 December 2017				
	Motor Liability	Other Motor	Annuities from Non-Life obligations	Total
	£'000	£'000	£'000	£'000
Gross Best Estimate Technical Provisio	50,038	423	11,939	62,400
Risk Margin	1,633	13	23	1,668
Total Gross Technical Provisions	51,671	435	11,962	64,068
Reinsurance Recoverables	(33,466)	(295)	(11,710)	(45,471)
Net Technical Provisions	18,205	140	252	18,597

As at 31 December 2016				
	Motor Liability	Other Motor	Annuities from Non-Life obligations	Total
	£'000	£'000	£'000	£'000
Gross Best Estimate Technical Provisio	26,918	688	11,815	39,421
Risk Margin	1,332	34	17	1,383
Total Gross Technical Provisions	28,250	722	11,832	40,804
Reinsurance Recoverables	(12,740)	(402)	(11,634)	(24,777)
Net Technical Provisions	15,510	320	197	16,027

D.2.1 Bases, Methods and Assumptions

D.2.1.1 Best Estimate

The starting point for the valuation of technical provisions is the best estimate of claims costs, both on earned and on unearned exposure, for all business written at the valuation date. This assessment is carried out by the independent, external actuary.

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

D.2.1.2 Expenses

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

D.2.1.3 Events Not in Data

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

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

At 31 December 2017, management reached the conclusion a net provision of £120,000 for ENIDs was required (2016 - £120,000). This was based on the assumption that a large loss will settle as a PPO and measures the impact on PICL's net retention.



D.2.1.4 Bound but not Incepted

PICL may be contractually obligated to write certain business at the year end, although the risks will not incept until the following year. For example, renewal business for January 2018 will be invited prior to 31 December 2017. This may, however, be wholly or partially offset through future cancellations of existing business. These items are assessed based on actual data and appropriate provision is made. No such provision was made at 31 December 2016 as this was not considered to be material.

D.2.1.5 Discounting

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

D.2.1.6 Risk Margin

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

D.2.1.7 Allocation to Lines of Business

Best estimates and cash flows are calculated separately for each line of business. However, all of PICL's business comprises motor, which is required to be split for Solvency II purposes into motor liability and other motor. It is not normal practice in the UK market to rate motor business on this basis, and PICL therefore needs to apply to different methodology to calculate this split.

The Company uses claims heads of damage to split its motor business into the Solvency II classes. Bodily injury and third party property damage are allocated to motor liability, with accidental damage, windscreen, fire and theft being allocated to other motor.

PICL has two bodily injury claims which have settled as periodical payments orders ("PPOs"). Under the rules of Solvency II these claims are removed from the motor liability class and allocated to a separate class in order to calculate their technical provisions.

D.2.1.8 Reinsurance Recoverables

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

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



D.2.1.9 Simplifications

Technical provisions are calculated using standard actuarial techniques. Simplifications are not used.

D.2.2 Uncertainty

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

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

PICL seeks to minimise the level of uncertainty through a robust process involving external actuarial advice, ongoing discussion with the external actuaries and an internal process for projecting loss ratios. Claims performance is closely monitored to ensure that changes in trends are identified and appropriately reflected in future projections.

D.2.3 Differences between Solvency II and GAAP Valuation

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

- GAAP valuation of gross reserves may include a management load. Solvency II valuation is required to be at discounted best estimate and any management load is removed
- GAAP valuation includes unearned premium, being the premium which reflects the unexpired risk exposure. Under Solvency II, the unearned premium is replaced by future claims expected to arise on this unearned exposure
- GAAP reserves do not include run-off expenses
- GAAP reserves do not include events not in data
- GAAP reserves do not make allowance for bound but not incepted business
- GAAP reserves are calculated without a risk margin



- Insurance and intermediaries receivables are set against total gross technical provisions for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate item on the balance sheet for GAAP reporting
- Reinsurance receivables and payables are set against technical provision reinsurance recoverables for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate items on the balance sheet for GAAP reporting

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

2017	Gross Technical Reserves	Reinsurance Recoverables	Total
	£'000	£'000	£'000
GAAP Reserves	68,417	47,869	20,548
Remove Unearned Premium	(11,549)	(4,388)	(7,161)
Claims on Unexpired Risks	6,500	1,715	4,785
Receivables/Payables	(503)	1,893	(2,397)
Removal of margins	(2,084)	(830)	(1,254)
Run-off expenses and Other Adjustments	2,811	189	2,622
Effect of Discounting	(1,192)	(978)	(214)
Risk Margin	1,631		1,631
Solvency II Technical Provisions	64,030	45,471	18,559



2016	Gross Technical Reserves	Reinsurance Recoverables	Total
	£'000	£'000	£'000
GAAP Reserves	47,947	29,229	18,718
Remove Unearned Premium	(12,585)	(5,915)	(6,670)
Claims on Unexpired Risks	7,599	3,040	4,559
Receivables/Payables	(3,079)	(72)	(3,007)
Removal of margins	(2,862)	(1,197)	(1,665)
Run-off expenses and Other Adjustments	2,694	(189)	2,884
Effect of Discounting	(293)	(119)	(175)
Risk Margin	1,371		1,371
Solvency II Technical Provisions	40,792	24,777	16,015

D.2.4 Transitional adjustments

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

D.2.5 Changes over the Period

There have been no changes in the assumptions made since the previous period.

D.3 Other Liabilities

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

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



Group:

	As at 31 December 2017		As at 31 December 2016	
Description	Solvency II Value	GAAP Value	Solvency II Value	GAAP Value
	£'000	£'000	£'000	£'000
Derivatives	0	0	0	0
Insurance & intermediaries payables	147	376	598	5,978
Reinsurance payables	0	174	0	596
Payables (trade, not insurance)	192	1,408	802	1,217
Deferred Reinsurance commision	0	379	0	682
Other Liabilities	0	0	0	10

Company:

	2017		2016	
Description	Solvency II Value	GAAP Value	Solvency II Value	GAAP Value
	£'000	£'000	£'000	£'000
Derivatives	0	0	0	0
Insurance & intermediaries payables	147	376	598	598
Reinsurance payables	0	174	0	596
Payables (trade, not insurance)	148	1,364	797	1,222
Deferred Reinsurance commision	0	379	0	656
Other Liabilities	0	0	0	0

D.3.1 Derivatives

Derivative liabilities have been netted against the related asset and have been shown in the assets section.

D.3.2 Insurance and Intermediaries Payables

At 31 December 2017 PICL had £0.4 million (2016 – £0.6 million) of insurance and intermediaries payable, this also representing the Group payable. This represents recorded claims payments which have not yet been made, i.e. a timing difference, profit commission owed to PICL on the Quota Share arrangement, provision commission owed to PUL and provision for claims handling costs on existing claims.

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



The valuation basis is the same for GAAP and Solvency II purposes, other than that profit commissions are set against technical provisions. There have been no changes in the valuation approach during the year.

D.3.3 Reinsurance Payables

At 31 December 2017 PICL had £0.2 million (2016 – £0.6 million) of reinsurance payables, being payments due under the Excess of Loss arrangement, representing premium above the deposit premiums paid during the year. This also represents the Group payable balance.

These amounts are valued at fair value, being the actual amounts payable. There have been no changes in the valuation and recognition basis during the year, and there are no difference in the underlying valuation for GAAP and Solvency II. However, for Solvency II purposes these items, to the extent they are not considered overdue, are set against technical provisions reinsurance recoverables, whereas under GAAP they are shown separately on the balance sheet.

D.3.4 Payables (trade, not insurance)

These items of represent various amounts payable, such as IPT, the MIB levy, accruals and other creditors and items are valued at the amount that is considered to be payable. On a Solvency II basis, the MIB levy has been allocated to run-off expenses. Other than this, there is no difference in the valuation for GAAP and Solvency II and there have been no changes in the valuation basis during the year.

D.3.5 Deferred Reinsurance Commission

PICL receives commission and a contribution to costs from its Quota Share reinsurance partner. This is earned in line with the underlying premium and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2017, PICL had a total of £0.4 million (2016 – £0.7 million) deferred commission and reinsurer's share of deferred acquisition and other costs.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred reinsurance commissions do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet. There has been no change in the recognition and valuation basis during the year.



E. Capital Management

E.1 Own funds

E.1.1 Management of Own Funds

E.1.1.1 Objectives, Policies and Processes in Managing Own Funds

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

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

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

E.1.1.2 Time Horizon for Business Planning and Material Changes

PICL's business planning period for capital management encompasses a three year time horizon, with emphasis on the current and next year. Given the unpredictability and historic volatility of the UK motor market, a longer time horizon would not be realistic. There have been no changes in the planning time horizon over the year.

E.1.2 Description of Own Funds

E.1.2.1 Structure, Amount and Quality of own funds

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



Group:

2017	Share Capital	Share Premium	Reconciliation Reserve	Total Own Funds
	£'000	£'000	£'000	£'000
At 1 January 2017	0	10	19,087	19,097
Capital Injections during the Period				0
Movement in the Reconciliation Reserve			746	746
At 31 December 2017	0	10	19,833	19,843

2016	Share Capital	Share Premium	Reconciliation Reserve	Total Own Funds
	£'000	£'000	£'000	£'000
At 1 January 2016	0	10	10,293	10,303
Capital Injections during the Period				0
Movement in the Reconciliation Reserve			8,794	8,794
At 31 December 2016	0	10	19,087	19,097

Company:

2017	Share Capital	Share Premium	Reconciliation Reserve	Total Own Funds
	£'000	£'000	£'000	£'000
At 1 January 2017	4	3,996	10,216	14,216
Capital Injections during the Period				0
Movement in the Reconciliation Reserve			(111)	(111)
At 31 December 2017	4	3,996	10,106	14,106

2016	Share Capital	Share Premium	Reconciliation Reserve	Total Own Funds
	£'000	£'000	£'000	£'000
At 1 January 2016	4	3,996	6,429	10,429
Capital Injections during the Period				0
Movement in the Reconciliation Reserve			3,787	3,787
At 31 December 2016	4	3,996	10,216	14,216

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

E.1.2.2 Terms and Conditions of Own Funds

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

E.1.2.2 Difference in Own Funds between Financial Statements and Solvency II Valuation

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

Group:

	2017 Own Funds	2016 Own Funds
	£'000	£'000
Own Funds per Financial Statements	22,077	20,424
Difference in Valuation of net Technical Provisions	(1,436)	(714)
Removal of Deferred Acquisitions Costs	(863)	(745)
Removal of Other Fixed Assets	(8)	(8)
Removal of Prepayments	(18)	(20)
Removal of Deferred Commissions	91	159
Own Funds per Solvency II Valuation	19,843	19,097



Company:

	2017	2016
	Own Funds	Own Funds
	£'000	£'000
Own Funds per Financial Statements	16,303	15,556
Difference in Valuation of net Technical Provisions	(1,399)	(727)
Removal of Deferred Acquisitions Costs	(863)	(745)
Removal of Other Fixed Assets	(9)	(8)
Removal of Prepayments	(18)	(20)
Removal of Deferred Commissions	91	159
Own Funds per Solvency II Valuation	14,106	14,216

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR

The Groups and PICL's SCR and MCR coverage is set out below:

Group:

	2017	2016
Own Funds	19,843	19,097
Solvency Capital Requirement	10,343	9,249
SCR Coverage	192%	206%
Minimum Capital Requirement	3,251	3,332
MCR Coverage	610%	573%



Company:

	2017	2016
Own Funds	14,106	14,216
Solvency Capital Requirement	9,916	8,975
SCR Coverage	142%	158%
Minimum Capital Requirement	3,251	3,332
MCR Coverage	434%	427%

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

PICL and the Group have met the Solvency requirements throughout the period.

E.2.2 SCR by Risk Module

The table below shows the different risk module components of the SCR, taken directly from the standard formula model that PICL uses. It clearly shows that the non-life risk is by far the largest component of the total, with counterparty risk and market risk a long way behind.

Group:

	2017	2016
SCR Risk Category	£	£
Non-Life Risk	6,975	6,865
Life Risk	57	83
Market Risk	1,882	1,508
Counterparty (Credit) Risk	1,857	1,651
Diversification	(1,995)	(1,740)
Basic Solvency Capital Requirement	8,775	8,368
Operational Risk	1,568	881
Solvency Capital Requirement	10,343	9,249



Company:

Risk Category	2017	2016
	£'000	£'000
Non-Life Risk	6,975	6,865
Life Risk	57	83
Market Risk	1,343	973
Counterparty (Credit) Risk	1,571	1,568
Diversification	(1,597)	(1,395)
Basic Solvency Capital Requirement	8,349	8,094
Operational Risk	1,568	881
Solvency Capital Requirement	9,916	8,975

E.2.3 Simplifications

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

E.2.4 Inputs used to Calculate the MCR

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

Group:

2017	Net (of reinsurance) best estimate technical provisions	Net (of reinsurance) written premiums in the last 12 months
	£'000	£'000
Motor Vehicle Liability	16,572	14,071
Motor Vehicle Other	128	1,524
Annuities from Non-Life Obligations	229	
		£'000
Linear MCR		3,042
SCR		10,343
Combined MCR		3,042
Absolute Floor of the MCR		3,251
Minimum Capital Requirement		3,251



2016	Net (of reinsurance) best estimate technical provisions	Net (of reinsurance) written premiums in the last 12 months
	£'000	£'000
Motor Vehicle Liability	14,178	12,736
Motor Vehicle Other	286	1,840
Annuities from Non-Life Obligations	197	
		£'000
Linear MCR		2,566
SCR		8,975
Combined MCR		2,566
Absolute Floor of the MCR		3,332
Minimum Capital Requirement		3,332

Company:

2017	Net (of reinsurance) best estimate technical provisions	Net (of reinsurance) written premiums in the last 12 months
	£'000	£'000
Motor Vehicle Liability	16,572	14,071
Motor Vehicle Other	128	1,524
Annuities from Non-Life Obligations	229	
		£'000
Linear MCR		2,860
SCR		9,916
Combined MCR		2,860
Absolute Floor of the MCR		3,251
Minimum Capital Requirement		3,251



2016	Net (of reinsurance) best estimate technical provisions	Net (of reinsurance) written premiums in the last 12 months
	£'000	£'000
Motor Vehicle Liability	14,178	12,736
Motor Vehicle Other	286	1,840
Annuities from Non-Life Obligations	197	
		£'000
Linear MCR		2,566
SCR		8,975
Combined MCR		2,566
Absolute Floor of the MCR		3,332
Minimum Capital Requirement		3,332

E.2.5 Changes over the Period

Both the Group and the Solo SCR have increased over the period. The main changes are:

- Increase in market risk driven by higher level of invested assets and the revaluation of the properties.
- Increase in counterparty risk on a group basis driven by higher level of funds held with banks.
- Increase in operational risk driven by the increase in gross best estimate technical provisions as a result of large claims.



The following templates are included:

Premier Insurance Company Limited:

- P.02.01.02
- P.05.01.02
- P.05.02.02
- P.12.01.02
- P.17.01.02
- P.19.01.21
- P.23.01.01
- P.25.01.21
- P.28.01.01

Premier Underwriting Holdings (Gibraltar) Limited:

- G.02.01.02
- G.05.01.02
- G.05.02.02
- G.23.01.22
- G.25.01.22
- G.32.01.22

P.02.01.02 - Balance sheet

Contents

Tabular 
Microsoft Excel-based
Solvency II reporting solution

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	2,225
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	28,775
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	23,738
R0140	Government Bonds	4,267
R0150	Corporate Bonds	19,471
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	2,378
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	2,658
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	45,471
R0280	Non-life and health similar to non-life	33,761
R0290	Non-life excluding health	33,761
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	11,710
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	11,710
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	142
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,671
R0420	Any other assets, not elsewhere shown	0
R0500	Total assets	81,285
		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	52,069
R0520	Technical provisions - non-life (excluding health)	52,069
R0530	TP calculated as a whole	0
R0540	Best Estimate	50,460
R0550	Risk margin	1,608
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	11,961
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	11,961
R0660	TP calculated as a whole	0
R0670	Best Estimate	11,939
R0680	Risk margin	22
R0690	Technical provisions - index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	2,854
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	147
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	148
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	67,179
R1000	Excess of assets over liabilities	14,106

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Tabular 
Microsoft Excel-based
Solvency II reporting solution

[illegible]

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010	GB	0	0	0	0	0	
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110 Gross - Direct Business	0	25,890	0	0	0	0	25,890
R0120 Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130 Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140 Reinsurers' share	0	10,294	0	0	0	0	10,294
R0200 Net	0	15,596	0	0	0	0	15,596
Premiums earned							
R0210 Gross - Direct Business	0	26,926	0	0	0	0	26,926
R0220 Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230 Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240 Reinsurers' share	0	11,821	0	0	0	0	11,821
R0300 Net	0	15,105	0	0	0	0	15,105
Claims incurred							
R0310 Gross - Direct Business	0	40,053	0	0	0	0	40,053
R0320 Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330 Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340 Reinsurers' share	0	28,942	0	0	0	0	28,942
R0400 Net	0	11,111	0	0	0	0	11,111
Changes in other technical provisions							
R0410 Gross - Direct Business	0	0	0	0	0	0	0
R0420 Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430 Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440 Reinsurers' share	0	0	0	0	0	0	0
R0500 Net	0	0	0	0	0	0	0
R0550 Expenses incurred	0	2,671	0	0	0	0	2,671
R1200 Other expenses							900
R1300 Total expenses							3,571
	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400	GB	0	0	0	0	0	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
R1410 Gross	0	0	0	0	0	0	0
R1420 Reinsurers' share	0	0	0	0	0	0	0
R1500 Net	0	0	0	0	0	0	0
Premiums earned							
R1510 Gross	0	0	0	0	0	0	0
R1520 Reinsurers' share	0	0	0	0	0	0	0
R1600 Net	0	0	0	0	0	0	0
Claims incurred							
R1610 Gross	0	24	0	0	0	0	24
R1620 Reinsurers' share	0	9	0	0	0	0	9
R1700 Net	0	15	0	0	0	0	15
Changes in other technical provisions							
R1710 Gross	0	0	0	0	0	0	0
R1720 Reinsurers' share	0	0	0	0	0	0	0
R1800 Net	0	0	0	0	0	0	0
R1900 Expenses incurred	0	0	0	0	0	0	0
R2500 Other expenses							0
R2600 Total expenses							0

P.12.01.02 - Life and Health SLT Technical Provisions

Contents



Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
0	0			0			0	0	0	0			0	0	0
0	0			0			0	0	0	0			0	0	0
0		0	0		0	0	11,939	0	11,939		0	0	0	0	0
0		0	0		0	0	11,710	0	11,710		0	0	0	0	0
0		0	0		0	0	229	0	229		0	0	0	0	0
0	0			0			22	0	22	0			0	0	0
0	0			0			0	0	0	0			0	0	0
0		0	0		0	0	0	0	0		0	0	0	0	0
0	0			0			0	0	0	0			0	0	0
0	0			0			11,961	0	11,961	0			0	0	0

[illegible]

Contents

Tabular
Microsoft Excel -based
Solvency II reporting solution

Z0010

Accident year /
Underwriting year

Z0010

Underwriting year [UWY]

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

[illegible]

P.23.01.01 - Own funds

Contents



Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

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

R0220	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

R0230	Deductions for participations in financial and credit institutions
-------	--

Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
4	4		0	
3,996	3,996		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
10,106	10,106			
0		0	0	0
0				0
0	0	0	0	0
0				
0	0	0	0	
14,106	14,106	0	0	0
0			0	
0			0	
0			0	0
0			0	0
0			0	0
0			0	0
0			0	0
0			0	0
0			0	0
14,106	14,106	0	0	0
14,106	14,106	0	0	
14,106	14,106	0	0	0
14,106	14,106	0	0	
9,916				
3,251				
1.4225				
4.3394				
C0060				
14,106				
0				
0				
4,000				
0				
10,106				
0				
310				
310				

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

Contents



	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010 Market risk	1,343		
R0020 Counterparty default risk	1,571		
R0030 Life underwriting risk	57		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	6,975		
R0060 Diversification	-1,597		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	8,349		
Calculation of Solvency Capital Requirement			
	C0100		
R0130 Operational risk	1,568		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency capital requirement excluding capital add-on	9,916		
R0210 Capital add-on already set	0		
R0220 Solvency capital requirement	9,916		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirement for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		

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

Contents



Linear formula component for non-life insurance and reinsurance obligations

		C0010		
R0010	MCRNL Result	2,855	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
R0020	Medical expenses insurance and proportional reinsurance	0	0	0
R0030	Income protection insurance and proportional reinsurance	0	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	16,572	14,071	
R0060	Other motor insurance and proportional reinsurance	128	1,524	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0	
R0090	General liability insurance and proportional reinsurance	0	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	0	
R0110	Legal expenses insurance and proportional reinsurance	0	0	
R0120	Assistance and proportional reinsurance	0	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0	
R0140	Non-proportional health reinsurance	0	0	
R0150	Non-proportional casualty reinsurance	0	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	0	
R0170	Non-proportional property reinsurance	0	0	

Linear formula component for life insurance and reinsurance obligations

		C0040		
R0200	MCRL Result	5	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0		
R0220	Obligations with profit participation - future discretionary benefits	0		
R0230	Index-linked and unit-linked insurance obligations	0		
R0240	Other life (re)insurance and health (re)insurance obligations	229		
R0250	Total capital at risk for all life (re)insurance obligations			0

Overall MCR calculation

		C0070
R0300	Linear MCR	2,860
R0310	SCR	9,916
R0320	MCR cap	4,462
R0330	MCR floor	2,479
R0340	Combined MCR	2,860
R0350	Absolute floor of the MCR	3,332
		C0070
R0400	Minimum Capital Requirement	3,332

G.02.01.02 - Balance sheet

Contents

Tabular
Microsoft Excel-based
Solvency II reporting solution

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	4,810
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	28,775
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	23,738
R0140	Government Bonds	4,267
R0150	Corporate Bonds	19,471
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	2,378
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	2,658
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	45,471
R0280	Non-life and health similar to non-life	33,761
R0290	Non-life excluding health	33,761
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	11,710
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	11,710
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	470
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	7,578
R0420	Any other assets, not elsewhere shown	0
R0500	Total assets	87,104
		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	52,106
R0520	Technical provisions - non-life (excluding health)	52,106
R0530	TP calculated as a whole	0
R0540	Best Estimate	50,460
R0550	Risk margin	1,646
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	11,962
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	11,962
R0660	TP calculated as a whole	0
R0670	Best Estimate	11,939
R0680	Risk margin	23
R0690	Technical provisions - index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	2,854
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	147
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	192
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	67,261
R1000	Excess of assets over liabilities	19,843

[illegible]

G.05.01.02.02 - Premiums, claims and expenses by line of business - Table 2

Contents



Microsoft Excel-based
Solvency II reporting solution

		Line of Business for: life insurance obligations					Life reinsurance obligations		Total	
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance		Life-reinsurance
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
R1410	Gross	0	0	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0	0	0	0
Premiums earned										
R1510	Gross	0	0	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0	0	0	0
Claims incurred										
R1610	Gross	0	0	0	0	0	24	0	0	24
R1620	Reinsurers' share	0	0	0	0	0	9	0	0	9
R1700	Net	0	0	0	0	0	15	0	0	15
Changes in other technical provisions										
R1710	Gross	0	0	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0	0	0
R1900	Expenses incurred	0	0	0	0	0	0	0	0	0
R2500	Other expenses									0
R2600	Total expenses									0

G.05.02.01 - Premiums, claims and expenses by country

Contents



	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	
		GB					
		C0080	C0090	C0100	C0110	C0120	
R0010							
	Premiums written						
R0110	Gross - Direct Business	0	25,890	0	0	0	25,890
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0
R0140	Reinsurers' share	0	10,294	0	0	0	10,294
R0200	Net	0	15,596	0	0	0	15,596
	Premiums earned						
R0210	Gross - Direct Business	0	26,926	0	0	0	26,926
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0
R0240	Reinsurers' share	0	11,821	0	0	0	11,821
R0300	Net	0	15,105	0	0	0	15,105
	Claims incurred						
R0310	Gross - Direct Business	0	40,053	0	0	0	40,053
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0
R0340	Reinsurers' share	0	28,942	0	0	0	28,942
R0400	Net	0	11,111	0	0	0	11,111
	Changes in other technical provisions						
R0410	Gross - Direct Business	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0
R0550	Expenses incurred	0	2,671	0	0	0	2,671
R1200	Other expenses						-174
R1300	Total expenses						2,497
	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	
		GB					
		C0220	C0230	C0240	C0250	C0260	
R1400							
	Premiums written						
R1410	Gross	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0
	Premiums earned						
R1510	Gross	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0
	Claims incurred						
R1610	Gross	0	24	0	0	0	24
R1620	Reinsurers' share	0	9	0	0	0	9
R1700	Net	0	15	0	0	0	15
	Changes in other technical provisions						
R1710	Gross	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0
R1900	Expenses incurred	0	0	0	0	0	0
R2500	Other expenses						0
R2600	Total expenses						0

G.23.01.22 - Own funds

Contents



	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector					
R0010 Ordinary share capital (gross of own shares)	0	0		0	
R0020 Non-available called but not paid in ordinary share capital at group level	0	0		0	
R0030 Share premium account related to ordinary share capital	10	10		0	
R0040 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050 Subordinated mutual member accounts	0		0	0	0
R0060 Non-available subordinated mutual member accounts at group level	0		0	0	0
R0070 Surplus funds	0	0			
R0080 Non-available surplus funds at group level	0	0			
R0090 Preference shares	0		0	0	0
R0100 Non-available preference shares at group level	0		0	0	0
R0110 Share premium account related to preference shares	0		0	0	0
R0120 Non-available share premium account related to preference shares at group level	0		0	0	0
R0130 Reconciliation reserve	19,833	19,833			
R0140 Subordinated liabilities	0		0	0	0
R0150 Non-available subordinated liabilities at group level	0		0	0	0
R0160 An amount equal to the value of net deferred tax assets	0				0
R0170 The amount equal to the value of net deferred tax assets not available at the group level	0				0
R0180 Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190 Non available own funds related to other own funds items approved by supervisory authority	0	0	0	0	0
R0200 Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
R0210 Non-available minority interests at group level	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
R0230 Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial	0	0	0	0	0
R0240 whereof deducted according to art 228 of the Directive 2009/138/EC	0	0	0	0	
R0250 Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
R0260 Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
R0270 Total of non-available own fund items	0	0	0	0	0
R0280 Total deductions	0	0	0	0	0
R0290 Total basic own funds after deductions	19,843	19,843	0	0	0
Ancillary own funds					
R0300 Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	0			0	
R0320 Unpaid and uncalled preference shares callable on demand	0			0	0
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0380 Non available ancillary own funds at group level	0			0	0
R0390 Other ancillary own funds	0			0	0
R0400 Total ancillary own funds	0			0	0
Own funds of other financial sectors					
R0410 Credit Institutions, investment firms, financial institutions, alternative investment fund manager, financial institutions	0	0	0	0	
R0420 Institutions for occupational retirement provision	0	0	0	0	0
R0430 Non regulated entities carrying out financial activities	0	0	0	0	
R0440 Total own funds of other financial sectors	0	0	0	0	0
Own funds when using the D&A, exclusively or in combination of method 1					
R0450 Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
R0460 Own funds aggregated when using the D&A and a combination of method net of IGT	0	0	0	0	0
Consolidated Group SCR					
R0520 Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	19,843	19,843	0	0	0
R0530 Total available own funds to meet the minimum consolidated group SCR	19,843	19,843	0	0	
R0560 Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	19,843	19,843	0	0	0
R0570 Total eligible own funds to meet the minimum consolidated group SCR	19,843	19,843	0	0	
Minimum consolidated Group SCR	3,251				
R0610 Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)					
R0630 Ratio of Eligible own funds to Minimum Consolidated Group SCR	6.1045				
R0650 Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	19,843	19,843	0	0	0
R0670 SCR for entities included with D&A method					
R0680 Group SCR	10,343				
R0690 Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	1.9185				
Reconciliation reserve					
R0700 Excess of assets over liabilities	19,843				
R0710 Own shares (held directly and indirectly)	0				
R0720 Forseeable dividends, distributions and charges	0				
R0730 Other basic own fund items	10				
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0750 Other non available own funds	0				
R0760 Reconciliation reserve before deduction for participations	19,833				
Expected profits					
R0770 Expected profits included in future premiums (EPIFP) - Life business	0				
R0780 Expected profits included in future premiums (EPIFP) - Non- life business	310				
R0790 Total Expected profits included in future premiums (EPIFP)	310				

G.25.01.22 - Solvency Capital Requirement - for undertakings on Standard Formula

Contents



Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
1,882		
1,857		
57		
0		
6,975		
-1,995		
0		
8,775		

R0010 Market risk
R0020 Counterparty default risk
R0030 Life underwriting risk
R0040 Health underwriting risk
R0050 Non-life underwriting risk
R0060 Diversification
R0070 Intangible asset risk
R0100 **Basic Solvency Capital Requirement**

Calculation of Solvency Capital Requirement

R0130 Operational risk
R0140 Loss-absorbing capacity of technical provisions
R0150 Loss-absorbing capacity of deferred taxes
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200 **Solvency capital requirement excluding capital add-on**
R0210 Capital add-on already set
R0220 **Solvency capital requirement**
Other information on SCR
R0400 Capital requirement for duration-based equity risk sub-module
R0410 Total amount of Notional Solvency Capital Requirements for remaining part
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
R0440 Diversification effects due to RFF nSCR aggregation for article 304
R0470 Minimum consolidated group solvency capital requirement

C0100
1,568
0
0
0
10,343
0
10,343
0
0
0
0
0
3,251
0
0
0
0
0
0
0
0
10,343

Information on other entities
R0500 Capital requirement for other financial sectors (Non-insurance capital requirements)
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies
R0510 Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions
R0520 Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities
R0530 Capital requirement for non-controlled participation requirements
R0540 Capital requirement for residual undertakings
R0550 **Overall SCR**
R0560 SCR for undertakings included via D and A
R0570 **Solvency capital requirement**

