Solvency & Financial Condition Report 2019

Atlas Insurance PCC Limited

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Cover Image by Artist Andrew Borg
Wandering Wind, Oil on canvas 90 x 60cm, 2017

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1. Executive summary

The Solvency and Financial Condition Report (SFCR) is presented in line with the requirements of Directive 2009/138/EC (Solvency II Directive) and the Commission Delegated Regulation (EU) 2015/35.

Atlas Insurance PCC Limited (Atlas, the PCC, the Company) is the flagship company within the Atlas group of companies (the Group) specialising in insurance underwriting and insurance services. The PCC is also authorised by the Malta Financial Services Authority (MFSA) to underwrite reinsurance business.

Atlas was authorised on the 29 April 2004 by the MFSA to carry on business in the following Insurance Classes of Business:

Class 1 – Accident,
Class 2 – Sickness,
Class 3 – Land Vehicles,
Class 6 – Ships,
Class 7 – Goods in Transit,
Class 8 – Fire and Natural Forces,
Class 9 – Other Damage to Property,
Class 10 – Motor Vehicle Liability,
Class 12 – Liability for Ships,
Class 13 – General Liability,
Class 16 – Miscellaneous Financial Loss,
Class 17 – Legal Expenses, and
Class 18 – Assistance.

The Company was further authorised by the MFSA to convert to a Protected Cell Company on the 1 November 2006, and later, on 11 June 2009, the MFSA reissued its authorisation to also carry on Reinsurance Business under its licence.

COVID-19 Pandemic

The spread of Covid-19 across the globe from the beginning of the financial year 2020 is having a significant economic impact both world-wide and locally. The virus was first detected in Malta in the beginning of March 2020. Whilst events pertaining to the COVID-19 pandemic are after the balance sheet date, and hence deemed to be non-adjustable subsequent events, Atlas has been closely and constantly monitoring developments as these unfolded in order to assess the effects which this pandemic could have on the Company.

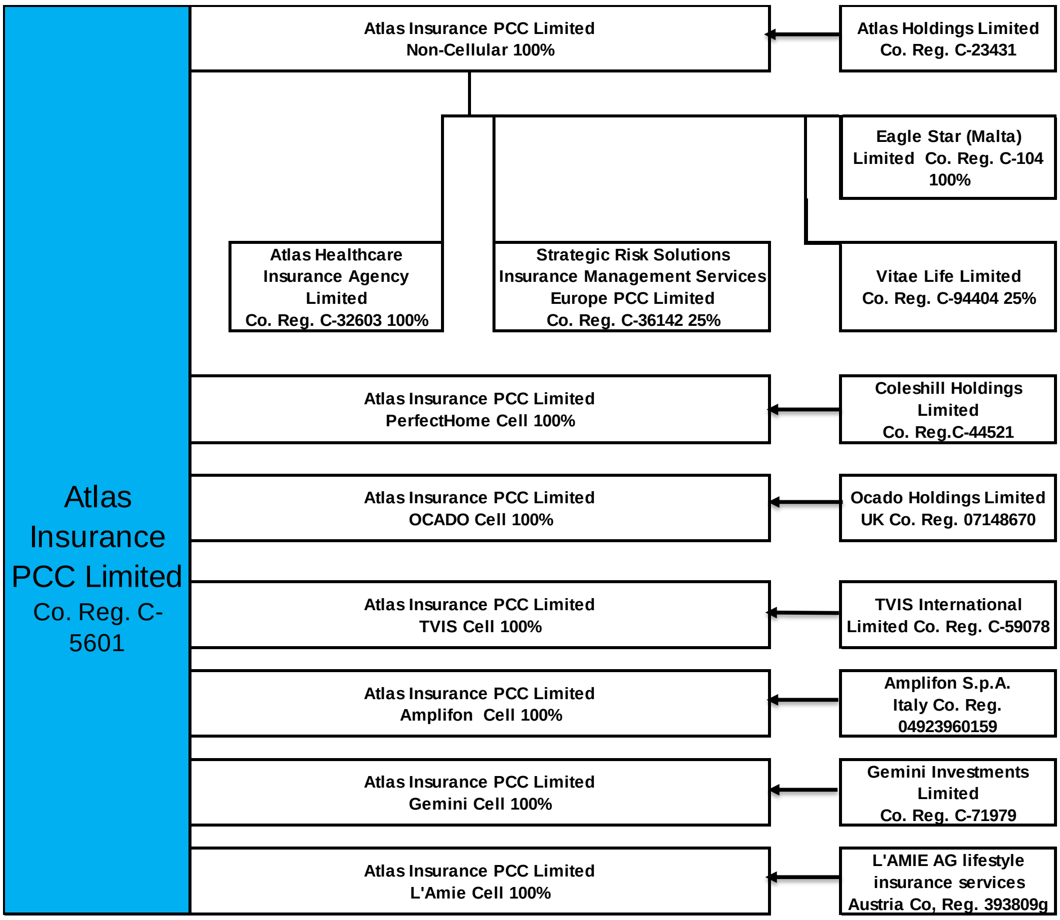
1.1 Business and Performance

The Company is authorised by the MFSA to carry on business of insurance and re-insurance (re/Insurance) in accordance with the Insurance Business Act Cap. 403. Atlas underwrites local insurance risk through its non-cellular structure and is a leader in the local market, when combined with its international cellular business is considered to be Malta's largest insurer for premium income.

The Companies Act (Cell Companies Carrying on Business of Insurance) Regulations determine under article 9 (1) "that the assets of a cell company shall be either cellular assets or non-cellular assets". In accordance with article 9 (2) of the same regulations, the Directors of Atlas are obliged to keep: "(a) cellular assets separate and separately identifiable from non-cellular assets; (b) cellular assets attributable to each cell separate and separately identifiable from cellular assets attributable to other cells; and (c) separate records, accounts, statements and other documents as may be necessary to evidence the assets and liabilities of each cell as distinct and separate from the assets and liabilities of other cells in the same company." For the purposes of this report the non-cellular assets are referred to as "Core" assets.

Therefore, within the PCC, the core assets comprise the assets of the Company which are non-cellular assets relating to the core operation. The assets of the PCC are either core assets or cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and other assets attributable to the cell.

The PCC underwrites (re)insurance risk through both its Core Activity and its Cellular Activity. The Company's corporate structure is represented as follows:



Total premium income for the PCC as a whole and split by Geographical area is reported in the below table:

Premim Written by Geographical Area	Northern Europe		Western Europe		Southern Europe		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
	2019	2018	2019	2018	2019	2018	2019	2018
Core	-	-	-	-	40,573,438	26,689,044	40,573,438	26,689,044
Amplifon Cell	-	90,863	-	1,357,296	-	-	-	1,448,159
Other Cells	4,324,545	6,595,108	19,497,612	10,552,713		-	23,822,157	17,147,821
Total	4,324,545	6,685,971	19,497,612	11,910,010	40,573,438	26,689,044	64,395,595	45,285,024
Percentage Share of Total Premium	7%	14%	30%	25%	63%	57%	100%	100%

Core Results

The PCC through its Core underwrites a balanced general insurance business portfolio as a leading insurer of Maltese insurance risk. During 2019 the Core continued to register substantial growth in premium income, together with important technical results arising from the prudence applied in its underwriting and reinsurance operations.

Premium Written		Motor	Non-Motor	Total	Motor Share	Non-Motor Share
		Euro	Euro	Euro		
	2019	12,756,723	27,816,715	40,573,438	31%	69%
	2018	12,050,710	14,638,334	26,689,044	45%	55%
Percentage Growth for 2019		6%	90%	52%		

During the financial year ended 31 December 2019 the Core assumed the underwriting for health insurance risk intermediated by its subsidiary, Atlas Healthcare Insurance Agency Limited. This strategic move led to the Core growing its non-motor premium portfolio substantially over the prior year. In writing the health portfolio the Company still retains a strong association with AXA PPP healthcare Limited through a robust reinsurance treaty put in place for the portfolio class assumed.

During 2019 the Company also registered continued good growth in other classes. This, combined with that for the health portfolio, results in premium written for the year for the Core increasing by 52% over the previous year. 2019 has continued to register good pure technical results. Managing the Motor Class remains key to the overall technical results and the underwriting team continue to monitor challenging claims expenses on the rise. While third party bodily injury and fatality claims are unpredictable, 2019 did not register any such major claims. The Property Class result was impacted by an exceptional single claim late in the year but also by the severe windstorm that hit Malta in late February 2019. The effects of the events were very much mitigated by reinsurance. Notwithstanding this, continued technical profits work positively toward the Company reserving funds in the interest of the stakeholders.

The following table reports the Core's Gross loss ratios before reinsurance expenses.

Gross Claims Loss Ratio	Motor		Non-Motor		Total	
	Euro	Euro	Euro	Euro	Euro	Euro
	2019	2018	2019	2018	2019	2018
Premium Earned	12,376,934	11,715,660	23,815,121	14,485,397	36,192,055	26,201,057
Claims Incurred	6,066,584	5,927,191	15,703,900	5,590,788	21,770,484	11,517,979
Gross Ratio	49%	51%	66%	39%	60%	44%

The Core reinsures the insurance business risk it underwrites with a pool of "A" credit rated reinsurers of international repute.

For the reasons mentioned, during 2019 the Core registered a Gross Claims Loss Ratio of 60% decreasing to 52% after reinsurance costs. The increase in gross claims registered during the year is being reported to have grown from €11,517,979 for 2018 to that of €21,770,484 for 2019. This increase in claims incurred results in a position of higher incidence for reinsurance recovery of such claims. Logically this causes a position where the proportionate level of retention for 2019 compared to that of 2018 is higher, resulting in a marginally higher net retained loss ratio compared to the prior year.

This slight increase in the net position reports an overall net claims incurred for 2019 of €9,500,708, increasing from that of 2018 of €7,938,210. This increase in net claims costs is more than adequately offset by the increases in net premium earned. In the below table the net claims position retained by the Core is being noted.

Net Claims Loss Ratio	**Total**	
	Euro	Euro
	2019	2018
Net Premium Earned	**18,425,616**	15,611,096
Net Claims Incurred	**9,500,708**	7,938,210
Net Ratio	**52%**	51%

Substantial recovery from the closing positions of 2018 was experienced during 2019 in both the local and international stock exchange market places. Notwithstanding market wide results, the Board remains committed to its ongoing prudence applied in the management of the portfolio through its executive. As such the Board of Directors continues to apply an investment policy which allows for reasonable return on investment while safeguarding through prudence, by causing appropriate spread in its allocation, and largely placing investments in high grade securities.

The investment portfolio held in the balance sheet at year end 2019 totalled €46,421,383, 2018 - €41,752,086. This increase is attributable to excellent results achieved for the market value gains registered together with further cash injections from profit reserves into the portfolio.

Realised income contributed well toward the Company's strategy of reinvestment for the return on the investment portfolio. The combined positive results for both the technical and investment operations results in a 2019 profit before tax of €9,674,992 compared to a prior year profit before tax of €4,362,052, increasing the total equity of the Core to €35,358,374 at year end from €27,762,409 at the beginning of the year under review.

The Company owns 25% in an associate company, Strategic Risk Solutions Insurance Management Services Europe PCC (SRS). During the year under review it also invested a 25% equity share in a company currently applying for authorisation to act as a life insurance undertaking, Vitae Life Limited. Both these companies are not considered to be subsidiaries and as such in view that the Company does not hold a controlling interest in the equity held, the results are recognised as being those of an Associate for dividend income received from the entities.

The results for the two daughter companies, Atlas Healthcare Insurance Agency Limited and Eagle Star (Malta) Limited, are not consolidated in the Company's accounts and are recognised in Atlas' Financial Statements and Solvency II Balance Sheet as equity investments held. These two companies' results are then consolidated in the Group Consolidation of the ultimate parent, Atlas Holdings Limited. Associate company results are also recognised as equity investment but only reported on for any dividend income received from the associate then having IFRS principles applied to the Group consolidation as stated above.

Atlas Healthcare Insurance Agency Limited (the Agency)

The Agency increased growth and profitability has continued to contribute to the Company's overall result allowing for the payment of increased dividend income.

The Agency is an enrolled agent authorised by the MFSA in accordance with the Insurance Distribution Act (Cap 487). Its agency representation focuses on health insurance products as its mainstream product line and operated in 2018 as an insurance agent of Atlas Insurance PCC Limited for the Health Class. During 2019 the Agency also sought MFSA approval for it to invest 100% equity in a Cell incorporated within Assikura Insurance Brokers Limited with the business objective of intermediating both Health and Life Insurance. MFSA gave its authorization in December 2019.

The Agency's net asset value totaled €1,185,448 as on 31 December 2019 (31 December 2018 - €1,077,440), which result is in excess over regulated financial resources requirements under the Insurance Distribution Act (Cap 487).

Eagle Star (Malta) Limited

ESL's source of income is that of a structured remuneration in the form of a fee for the intermediation of the run-off for Long Term business. ESL does not introduce new business to its principal, Zurich Assurance Limited.

This subsidiary manages its financial resources for the smooth running of the portfolio run-off. The net asset value of ESL is reported as on 31 December 2019 at €182,828 (31 December 2018 at €107,222).

Cells

The PCC had six Cells incorporated within its structure as on 31 December 2019; the PerfectHome Cell, the Ocado Cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell and the L'Amie Cell.

In accordance with the Companies Act regulations and Insurance Business Act rules all Cellular Assets are segregated (ring fenced) one from the other and from the Core, whereas all Cells have recourse to the Core's assets once their own assets have been exhausted. There is one exception currently on the PCC's books, that of the Amplifon Cell. The Companies Act (Cell Companies Carrying on Business of Insurance) Regulations determine under article 15 that "where a cell exclusively carries on business of affiliated insurance or business of reinsurance and provided that it is specifically permitted by the memorandum and articles of association of the cell company, the company may, by specific written agreement to that effect, provide that only the cellular assets of that cell may be utilised to satisfy the cellular liability of such cell". This is known as non-recourse to the Core's Assets.

During 2019 the ***PerfectHome Cell*** stopped writing new business and renewals. The Cell carried on to run off and service existing policies and arising claims therefrom. It is expected that during 2020 due notice will be given to the MFSA for the winding up of the Cell, which process the Board has approved.

This Cell had been incorporated within the PCC during 2008. Its operating functional currency is British Pound.

The ***OCADO Cell*** is ultimately wholly owned by OCADO Group plc (OCADO), a public company listed on the London Stock Exchange. OCADO is a leading online supermarket in the UK and provides home delivery of food, drink and household goods. This Cell was incorporated within the PCC during 2010 with the purpose of underwriting OCADO's Motor Own Damage/Third Party Liability & Public and Products Liability insurance risk in the United Kingdom and its operating functional currency is British Pound.

The ***TVIS Cell*** is ultimately owned by TVIS Limited, an insurance intermediary authorised by the Financial Conduct Authority in the UK. The intermediary works in partnership with vets as a distribution point for pet insurance. This Cell was incorporated within the PCC during 2014 to specifically underwrite the United Kingdom book of Pet Insurance held by the intermediary and with the intention to grow the portfolio.

The Cell’s operating functional currency is British Pound.

The ***Gemini Cell*** is ultimately owned by Aftersales Group and was incorporated within the PCC during 2015.

Aftersales Group specialises in after sale services, operating leases and insurance programmes for electronic devices such as mobile telephones, tablets, laptops and hard disk drives. The cell underwrites related theft and material damage programmes.

The Gemini Cell underwrites the business via Aftersales Group BV which is an authorised intermediary regulated by the Dutch authorities and passported to a number of European member states. The Cell currently underwrites insurance risk in Belgium and the Netherlands and its operating functional currency is Euro.

The ***L’Amie Cell*** is immediately owned by L‘AMIE AG lifestyle insurance services, an insurance intermediary authorised by the Austrian insurance regulator. The Cell is ultimately owned by Integral Insurance Broker Gmbh, which is likewise authorised in Austria. With a licence issued during 2015 and updated in 2017 the L’Amie Cell writes a handset theft and material damage portfolio in Austria and is expected to grow the portfolio materially over the coming years in other European countries and, as a reinsurer, in certain non-EU countries.

The Cell’s operating functional currency is Euro

The ultimate owner of the **Amplifon *Cell,*** Amplifon SpA, is a publicly listed company on the Milan Stock Exchange and is a world leader in the distribution of hearing solutions and small hearing aids. The company is present in 21 countries.

Amplifon Cell reinsures risks originating from various territories within the European Union. The insurance product is introduced by Amplifon SpA, insured by a primary multinational insurer and then reinsured with the Cell. The primary policy cover is for theft and material damage to the Insured hearing aid.

The Cell’s operating functional currency is Euro.

Aggregate Cell Results

Premium written in aggregate for the Cells sees material increases in turn over and remains perfectly reflective of the their individual business objectives.

Two Cells in particular have seen important growth for premium income through their expansion of insurance products and penetration of Pan European markets.

The total premium written by the Cells for 2019 is reported in aggregate in the below table, highlighting the Amplifon Cell results separately which is ring fenced to the extent of not having recourse to the Core capital.

Premium Written	Amplifon Cell	Other Cells	Aggregate
	Euro	Euro	Euro
2019	**-**	**23,822,157**	**23,822,157**
2018	1,448,159	17,147,821	18,595,980
Percentage Growth/-Diminution for 2019	**-100%**	**39%**	**28%**

The Amplifon Cell did not write any new reinsurance premium written during 2019. The reason behind this is that, effective 1 April 2018, the Cell had stopped writing new business in line with the new business objectives of Amplifon SPA, the immediate parent. The Cell carries on its operations in servicing the existing reinsurance risk taken on by the Cell up to 31 March 2018.

The Cells' gross claims loss ratio for 2019 does not cause concern to management for any threats to the Core capital in view that all Cells have registered reasonably good net loss ratios.

This may be noted from the progression in the table reproduced below moving from gross to net claims loss ratios.

Gross Claims Loss Ratio	Amplifon		Other Cells		Aggregate	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro
	2019	2018	**2019**	2018	**2019**	2018
Premium Earned	**1,821,599**	2,419,803	**16,883,160**	12,382,328	**18,704,759**	14,802,131
Claims Incurred	**1,331,334**	1,606,398	**7,921,053**	2,491,828	**9,252,387**	4,098,226
Gross Ratio	**73%**	66%	**47%**	20%	**49%**	28%

Net Claims Loss Ratio	Amplifon		Other Cells		Aggregate	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro
	2019	2018	**2019**	2018	**2019**	2018
Premium Earned	**1,821,599**	2,419,803	**9,151,477**	10,667,298	**10,973,076**	13,087,101
Claims Incurred	**1,331,334**	1,606,398	**5,001,124**	5,611,000	**6,332,458**	7,217,398
Gross Ratio	**73%**	66%	**55%**	53%	**58%**	55%

1.2 System of Governance

As noted in the corporate structure under 1.1 above Atlas Insurance PCC Limited forms part of the Atlas Group and the PCC's Core is wholly owned by Atlas Holdings Limited (the Parent). The Parent also owns 75% controlling interest in AISH Limited, a holding company which in turn owns 50% of Jesmond Mizzi Financial Advisors Limited. Furthermore the Parent owns 40% of the issued share capital in Assikura Insurance Brokers Limited.

The PCC is captured as an insurance undertaking under the Solvency II regime and the Company's Board of Directors, as appointed by Atlas Holdings in accordance with the Company's Memorandum and Articles, is also responsible for the Group's Solvency II regulatory compliance as a whole.

The Atlas Group is captured for group regulatory reporting under the Solvency II regime. As such it is also responsible to ensure that appropriate governance procedures are set within the whole group.

The PCC's Board exercises accountability through oversight of a number of board committees who have the responsibility to oversee key functional areas of the PCC and the Group. The relevant Committees are:

- the Investment Committee;
- the Audit Committee;
- the Remuneration and Nominations Committee;
- the Risk and Compliance Committee, and
- the Information Technology Committee (constituted during March 2018).

With due regard to the system of governance required by the Solvency II Directive and in considering the specific requirements of the PCC as a whole the Board also appoints the Protected Cells Committee and the Executive Committee.

Atlas believes that good risk management that is visible, repeatable and consistently applied to support decision making increases probability of success and reduces probability of failure and the uncertainty of achieving overall objectives.

The Group defines the following risk categories:

Risk Category	Definition
Operational	Potential losses resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes risks of internal and external fraud, as well as legal risks.
Underwriting	Risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. This is only applicable to Atlas PCC.
Credit	Risk of a financial loss if another party fails to perform its obligations or fails to perform them in a timely manner. Key counterparties include reinsurers, financial institutions, intermediaries, ceding companies & insureds.
Market	Risk that arises from fluctuations in values of, or income from, assets or interest or exchange rates. Credit risk associated with bonds is captured under this category, as is market concentration risks associated with equity, bonds and property.
Liquidity	Risk that the Group is unable to realise investments and other assets in order to settle financial obligations when they fall due

Strategic	Risk of the current and prospective impact on earnings or capital arising from wrong business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.
Reputational	Risk of a potential loss through the deterioration of the Group's reputation or standing due to a negative perception of the Group's image among policyholders, counterparties, shareholders and/or supervisory authorities.

The categorisation follows best practice and current regulations.

The Group's Risk Management Policy defines the framework, strategy and guiding principles for risk management. In the implementation at the operational level, the Atlas Group adopts a three lines of defence approach, which is considered as best practice.

1.3 Risk Profile

Atlas takes and manages risks to achieve its objectives. The Board has set a risk appetite statement that broadly describes the types and amounts of risk which Atlas is willing to take in pursuit of these objectives.

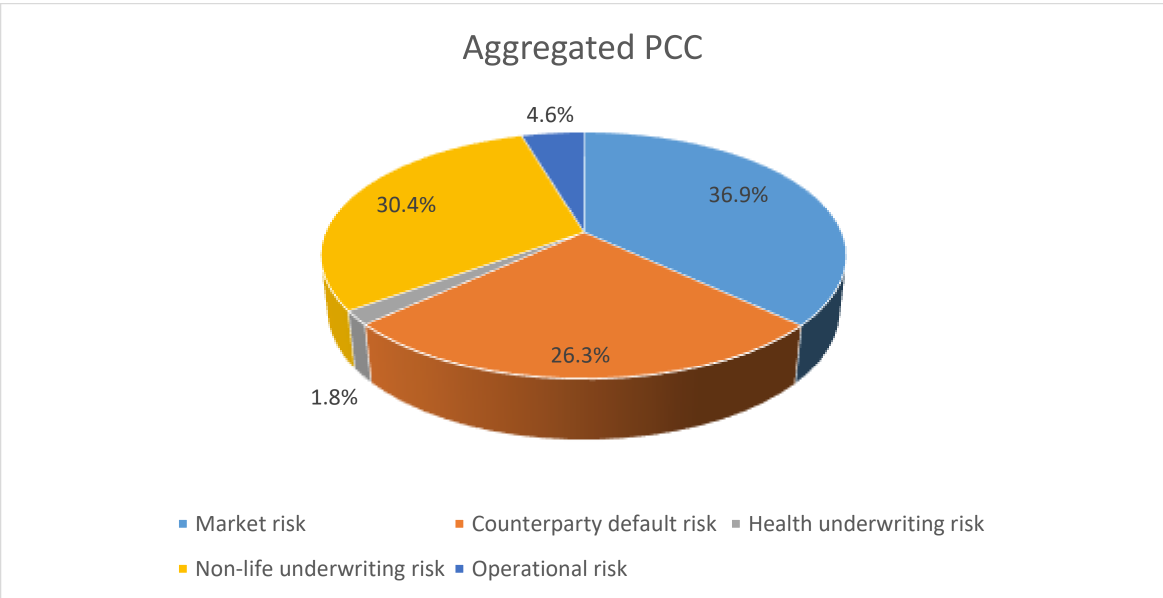
Atlas' objectives include achieving target performance and maximising shareholder value, preserving a level of solvency that would support Atlas in challenging environments, maintaining adequate liquidity to satisfy obligations as they come due, and protecting all aspects of Atlas' value, including its brand and reputation.

Underlying the PCC's risk appetite are risk tolerances, high-level quantitative measures and qualitative assertions for the maximum risk allowed, set at corporate level and in line with the needs of its stakeholders. At the highest level, they are intended to maximise the likelihood of delivering on the Group's vision, mission, and values.

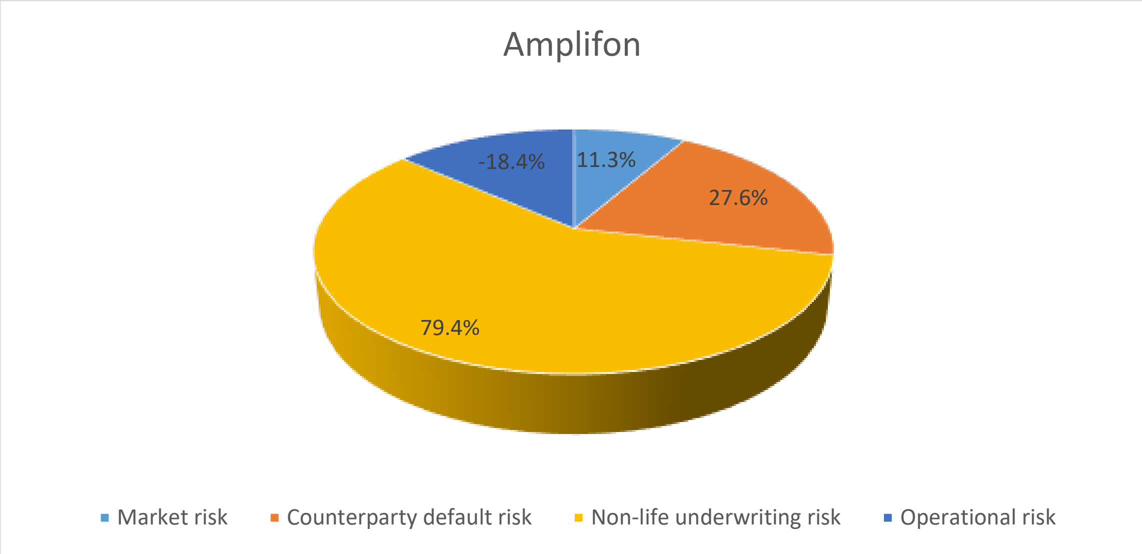
As is obligatory under the Solvency II regime Atlas reserves equity so as to ensure that risk scenarios at a minimum confidence level will be sufficiently matched with appropriate assets matched to its existing and contingent liabilities. In so doing the PCC's Board has opted to adopt the standard formula for the Company and the Group which is driven by European Union (EU) regulation as being the model in calculating the regulated equity required for the matching of its solvency positions.

Regulation requires all Cells to determine their individual notional Solvency Capital Requirement (nSCR) under "ring fenced funds" Solvency II rules. The PCC's Core Capital surplus over its own nSCR may also be utilised to cover any shortfall in each Cell's equity in matching their own individual nSCR with the exception of the Amplifon Cell, which Cell too reserves equity to match its own nSCR.

The PCC's risk profile is simply reproduced and expressed in percentages of the calculated end 2019 solvency capital requirement (SCR) of €22,139,755 as follows:



Included in the above SCR is the nSCR for the Amplifon Cell. This too is calculated as at end 2019 and reported at €1,185,360, with 79.4% arising from its insurance risk.



Solvency II regulation requires that the PCC as a whole is to match its SCR with an equal amount or more of Own Funds (Equity). It also defines Equity in three tiers, with Tier 1 ranking to its full capacity and Tiers 2 and 3 allowed to apply for up to 50% of the nSCR. One must here note that Cells not applying nonrecourse to the Core's Equity are allowed under regulation to fall short of their nSCR by having the shortfall offset against the Core's surplus equity.

The following table identifies the Equity applied by the PCC in matching the individual component nSCR's:

Own funds	**Core Euro 2019**	**Amplifon Euro 2019**	**Aggregate Euro 2019**
Tier 1	33,993	2,089	43,160
Tier 2	-	-	946
Tier 3	-	-	-
Total eligible own funds to meet the SCR	**33,993**	**2,089**	**44,106**

Solvency II regulations require an insurance undertaking to ensure that it matches appropriate own funds to the minimum capital requirement (MCR) at all times and may not fall below a 100% ratio of the MCR threshold.

The MCR is a product of the entity's SCR calculation as determined under the standard formula. The regulations apply the principle of an Absolute Minimum Capital Requirement (AMCR) which is currently set at €3,700,000. The undertaking would be required to hold sufficient own funds in excess of the MCR or AMCR whichever is the highest. The PCC's MCR for 2019 is being reported at €5,543,939.

This regulation applies to the PCC as a whole and the PCC's qualifying own funds in aggregate serve the purpose for satisfying the MCR rule.

As may be seen under section 1.4 below, Atlas' substantial own funds do not fall short of this requirement and notes material surplus capital over its SCR.

As part of the Atlas' regulated Own Risk and Solvency Assessment (ORSA) the PCC carries out a number of stress tests on various risk scenarios, while also comparing these results with those produced under the standard formula. This reporting procedure to the Board of Directors is carried out by the Chief Risk and Compliance Officer of the Group by also engaging with the Board of Directors for their direction on the stress scenarios considered in the ORSA.

1.4 Valuation of Assets and Liabilities

The preparation of the PCC's and Atlas Group's financial statements is carried out in conformity with IFRSs as adopted by the EU and this requires the use of critical accounting estimates.

It requires the directors to exercise their judgement in the process of applying the Group's accounting policies. A higher degree of judgement for the complexity of the management of insurance and financial risk is also required where these areas of assumptions and estimates are significant to the consolidated financial statements of the Group.

Insurance risk

The PCC recognises liabilities arising from its operations, and specifically identifies those arising from premium written and claims incurred, while also establishing recoverability from reinsurers.

The PCC uses various techniques in estimating liabilities arising from claims. A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the PCC where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until several years after the event. In calculating the estimate cost of unpaid claims the PCC uses statistical analyses of historical experience in order to identify the IBNR component to be added to its known claims reserves

Unearned premium reserves are formulated on a 365^{ths} time apportionment basis of calculation. This method of calculation proves to be most accurate in identifying arising liabilities at the time of Balance Sheet reporting. These liabilities are reflective of that amount of premium remaining unearned on an individual policy basis, aggregated to determine the PCC's total liability at any point in time.

Provision is also made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Financial Risk

The Atlas Group is exposed to financial risk through its financial assets and liabilities, reinsurance assets and insurance liabilities. The key financial risk is that the proceeds from its financial assets would not be sufficient to fund the obligations arising from its insurance contracts and investing activity. The most important components of the Group's financial risk are market risk (cash flow and fair value interest rate risk, equity risk, spread risk, concentration risk and currency risk), credit risk and liquidity risk. These risks mainly arise on open positions in interest rate, debt and equity products, and currency exposures, which are all subject to market movements.

Atlas holds investments mostly in equity and debt securities, but also includes, for its investment strategy some properties held for rental income. Debt securities are subject to spread risk, interest rate risk and concentration risk. Equities are subject to equity risk and concentration risk. Foreign denominated equity and debt securities are also subject to currency risk. As such both types of securities are fair valued for reporting the balance sheet in accordance with IFRS.

Solvency II values

Solvency II regulation requires that differing criteria are applied to the valuation of Assets and Liabilities representing the PCC's Equity in the Balance Sheet causing deviation from those represented under accounting principles.

The value of assets represented in the Solvency II balance sheet totalling €104 million differ from the total of the assets as represented under IFRS for the PCC of €135 million. The differences between the Solvency II values and those of IFRS arise due to different criteria of valuation for deferred acquisition costs, deferred taxation and reinsurance recoverables.

The Technical Provisions have been calculated as the sum of a best estimate plus a risk margin in accordance with the Commission Delegated Regulation (EU) 2015/35. The best estimate is calculated separately for the premium provision and for the claims provision. The claims provision is the discounted best estimate of cash flows relating to past claim events that occurred before the valuation date, whether reported or not. The cash flows include: future cash flows resulting from past claims events (including salvage and subrogation) and cash flows arising from allocated and unallocated expenses in respect of past claims events. The premium provision relates to future claims events covered by obligations falling within the contract boundary. Cash flow projections for the calculation of the premium provision includes benefits, expenses and premiums relating to these events. The methodology used to determine the best estimate and risk margin for technical provisions may be found under Section 5.3. This different approach results in the value of liabilities represented in the Solvency II balance sheet totalling €55 million having reduced from the total of the liabilities as represented under IFRS of €88 million.

In arriving at the best estimate for technical provisions no transitional arrangements have been applied.

COVID-19 Pandemic

The Company's investment asset portfolio is likely to be significantly impacted as a result of the potential global recession due to COVID-19. Atlas has in the past carried out stress and scenario testing on its investments and assessed the impact this will have on its financial projections. Assumptions used for the stress testing exercises are in line with what the current impact of COVID-19 is likely to have on the investment markets. Whilst as at 31 March 2020, the Company reports a 9% diminution in the value of its financial assets, it is also the Company's understanding that this situation is currently fluid and expects that markets will recover once the current situation ameliorates, with asset values rebounding.

Preliminary assessments indicate that the impact on liabilities is not likely to be significant due to offsetting movements in the liability portfolios.

1.5 Capital Management

Atlas recognises the importance of optimising the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with the risk appetite.

The PCC and, as such the Group, adheres to a Capital Management Policy approved by the PCC's Board which includes procedures to ensure that the own funds items satisfy at issue the prescribed profiling of Solvency II regulated tiering under Article 93 of Directive 2009/13/EC of capital on an ongoing basis. Such Policy includes controls on issuance of new capital instruments and sets out the approach to managing dividends and distribution.

As on 31 December 2019 the Core's Solvency ratio for its Own Funds matching its nSCR stood at 283%, and the PCC's total eligible own funds in matching its SCR stood at a Solvency ratio of 199% of the required margin. In the PCC's aggregation all Cells match their own nSCR's. As is required under regulation the PCC is obliged to discard any surplus Own Funds for the individual Cells in matching their own nSCR. The surplus Own Funds that have been discarded in arriving to full compliance of this rule for the Cells totals €3,843,631.

The Amplifon Cell, which excludes recourse to the PCC's Core's capital is also being reported at a ratio of 161% over its nSCR for separate consideration. Any arising cellular surplus capital over the individual nSCRs is discarded for the purpose of aggregating the PCC's SCR. This positioning is perfectly reflective of the prudence applied by Atlas in ensuring sufficient reserves under own funds

The PCC's Board are ultimately responsible for the establishment of such procedures and controls in order to provide reasonable assurance that the Atlas is adequately capitalised in the interest of all stakeholders.

The PCC's Board of Directors has also developed a Group wide medium-term capital management plan. This control is largely reflected in the Group's ORSA which factors in future year projections for both the Group and the Cells incorporated within the PCC. The ORSA approved by the PCC's board carries forecasts that the PCC will carry on to register high solvency margin ratios in excess of those required for the medium term.

COVID-19 Pandemic

As part of its annual Own Risk and Solvency Assessment (ORSA) exercise, Atlas has tested resilience of its capital adequacy under various stress scenarios. As indicated under Section 1.4 above, the most significant impact of COVID-19 on own funds is likely to be on the asset side as a result of the impact on investment assets. On the other hand, the impact on the SCR is not likely to be significant, as previous calculations of the SCR for stressed projections have shown offsetting results for reduced business volumes and reduced asset exposures.

2. Business and Performance

The spread of Covid-19 across the globe from the beginning of the financial year 2020 is having a major economic impact both world-wide as well as locally. The COVID-19 virus was first detected in Malta in the beginning of March 2020. Events pertaining to the COVID-19 pandemic are after the 31 December 2019 reference date of this report, and hence no adjustment is required to the balances on the Solvency II balance sheet, SCR and own funds discussed in subsequent sections. In this respect, the figures presented in the SFCR and associated QRTs have not been adjusted for COVID-19. However, Atlas has been closely and constantly monitoring developments as these unfold in order to assess the effects which this pandemic could have on the Company. Due consideration has been given to the impact this may have on the Company's prospects, financial results, operations and performance going forward.

At the time of publication of this report Atlas is looking at reviewing its core business projections in the light of the pandemic outbreak. Whilst still early to assess with a degree of certainty, Atlas is analysing the impact this could have on projected business volumes, and identifying those lines of business which are more sensitive to the impact. Similarly, Atlas is also analysing the impact on loss ratios and has identified both LoBs for which the loss ratios are expected to deteriorate because of the pandemic as well as LoBs for which loss ratios are expected to improve as a result of altered customer behaviour in the current and prospective economic scenario.

Similarly Atlas is also looking into the cells business projections to assess possible impact of the pandemic outbreak. Whilst it is not expected that the pandemic will directly lead to a deterioration in loss ratios for the specific LoBs written by the cells, the levels of business volumes could be impacted during the pandemic outbreak due to the various government restrictions imposed in the respective countries where the cells operate. Also, whilst still early to assess, levels of business volumes could also be impacted post COVID-19 outbreak as economies worldwide take long to recover and consequently consumption of insurance products is reduced across the different LoBs written by the cells.

2.1 Business

2.1.1 Corporate form, Regulatory Supervision and Beneficial Owners

Atlas Insurance PCC Limited is a limited liability company incorporated in Malta (Company Registration no. C 5601) with its registered office at 48-50, Ta' Xbiex Seafront, Ta' Xbiex, Malta. As the insurance undertaking in the Atlas Group the Company is considered by the Solvency II Directive to be regulated by the MFSA as a Solo Undertaking.

The PCC is required to report on the Company for its whole PCC results on an aggregate basis. It is required to report on segmental analysis of the PCC's business profile and also highlight any material facts relating to the Core and Cells individually where applicable.

External Auditors

The external auditors for the Company are PricewaterhouseCoopers (PWC) whose registered address is 78, Mill Street, Qormi, Malta and having their registered website www.pwc.com/mt/en. PWC have issued unqualified audit reports for the Atlas Group, and its subsidiaries, financial statements.

Shareholders and qualifying owners holding more than 10% holding of the PCC

The Core is 100% owned by Atlas Holdings Limited which in turn is immediately owned by:

- Walter Camilleri Management Limited – 19.05%
- Catherine Calleja – 0.80%
- Albert Formosa – 19.85%
- John Formosa – 14.33%
- Brockland Holdings Limited – 26.97%
- Arva Holdings Limited – 8.00%
- Palico Holdings Limited – 0.15%
- Safaco Limited – 1.30%
- Earli Limited – 1.30%
- SIGA Limited – 5.50%
- Alf Mizzi & Sons Limited – 2.75%

Individuals holding shares and or having control on shares amounting to or more than 10% of the total issued shares as qualifying owners of Atlas Holdings Limited (Core shareholder of the PCC) are:

- Mr Matthew von Brockdorff – 15.48% as shareholder of Brockland Holdings Limited
- Mrs Michelle Lundquist – 11.49% as shareholder of Brockland Holdings Limited
- Mr Robert and Mrs Elizabeth von Brockdorff – 26.97% in virtue of their controlling interest in Brockland Holdings Limited
- Mr Walter and Mrs Patricia Camilleri – 19.05% in virtue of their controlling interest in Walter Camilleri Management Limited
- Mr Albert Formosa – 19.85%
- Mr John Formosa – 14.33%

The various Cells' immediate owners may be seen in the corporate structure represented under Sub Section 1.1 of this report.

The following are individuals owning more than 10% of their respective Cells where applicable:

The PerfectHome Cell

Brixworth Investments (UK) Limited owns 100% of Coleshill Holdings Limited, the immediate parent of the PerfectHome Cell.

Ultimate control of the Cell has been achieved through a layered fund structure leading to the controlling management of Mr Paul Elliott Singer. Mr Singer is a controller as a result of exercising significant influence of Elliott International, l,p. and Elliott Associates L,P. as the investment funds owning Brixworth Investments (UK) Limited.

The TVIS Cell

- Mr Ashley Gray – 25.00% as shareholder of the upstream shareholder TVIS Limited
- Mr Theodore S Duchen – 25.00% as an upstream shareholder of TVIS Limited
- Mr David McDonald – 25.00% as shareholder of the upstream shareholder TVIS Limited
- Mr Brendan Robinson – 25.00% as an upstream shareholder of TVIS Limited

The Amplifon Cell

- Ms Susan C Holland – 54.20% as bare owner shareholder of the upstream shareholder Amplifon SpA, having Mrs Anna Maria Formiggini as usufruct

The Gemini Cell

- Mr Frank Vernooij – 66.66% as shareholder of the upstream shareholder Gemini Insurance Group
- Mr Mark Gommers – 33.33% as shareholder of the upstream shareholder Gemini Insurance Group

The L'Amie Cell

- Mr Heinz Pedak – 17.90% as shareholder of the upstream shareholder L'Amie lifestyle insurance services
- Mrs Katarina Pedak – 12.39% as shareholder of the upstream shareholder L'Amie lifestyle insurance services
- Mr Roland Pedak – 25.00% as shareholder of the upstream shareholder L'Amie lifestyle insurance services
- Mr Christian Pedak – 25.00% as shareholder of the upstream shareholder L'Amie lifestyle insurance services

2.1.2 Review of the Business

The PCC reports an aggregated profit before tax for the financial year ended 31 December 2019 of €10,363,099 (2018: €6,005,524).

The PCC continues to report sustained profitability in both its Core and individual cellular operations.

The Company's aggregate profit before taxation is summarised in the below table as follows:

Profit before Taxation	**2019**	2018
	€	€
Core	**9,674,992**	4,362,052
Amplifon Cell	**238,941**	559,862
Other Cells	**449,166**	1,083,610
Aggregate PCC Profit before Taxation	**10,363,099**	6,005,524

The Core has registered continued good profits for the year. The pure technical result achieved, resulting from the prudent underwriting measures adopted by the Company combine well with an excellent result for investment return.

The Motor Class has materially contributed in aggregating with traditionally positive results produced for other classes of business for the technical result. This resulted in a combined loss ratio of 80% (2018: 82%) across the Core's full portfolio.

The PCC's pool of Cells have also performed well. The aggregate results for the cells do report a reduction in aggregate profit due to a cell's reorganisation of its operations and two cells having interrupted their writing of new business.

The Amplifon Cell registers a combined loss ratio of 89% (2018: 77%). The Amplifon Cell continues to run-off reinsurance business risk which extends up to early 2022. The run-off positioning for the Cell is expected to continue to generate profits in supporting the attaching reinsurance risk.

Other Cells also performed well registering an aggregate combined loss ratio of 97% (2018: 91%).

The PCC continues to grow its premium income through its Core operation with premium written for the Core being reported at €40,573,438 an increase of 52% over the previous year which had been reported at €26,689,044. The result for the aggregate PCC premium written is reported for 2019 at €64,395,595 (2018: €45,285,024). Core growth accounts for the larger part of the PCC's aggregate growth.

As highlighted in the executive summary the aggregate Cellular premium written has grown materially during 2019 for two specific cells underwriting new books of insurance risk which risk extends far beyond the first year for earned premium. This increase in premium written on an aggregate basis has been partially offset by the business plans of a diminution in premium written for the Amplifon Cell and two other Cells.

The aggregated Cells' premium underwritten by the PCC increased from €18,595,980 in 2018 to €23,822,157 in 2019.

The PCC continues to entertain interest from prospective cell shareholders. This augurs well for the Company to grow its cellular network during in the coming years. The PCC's executive have positively addressed any threat to the Company's continued operation that the now concluded exit of the UK from the EU for its existing and new cellular operations in the United Kingdom. The Company's application to carry out business in the UK under the Temporary Permission's regime had been accepted by the UK FCA/PRA during 2019, and the Company will be furthermore seeking authorisation to operate the UK business as a branch regulated by the FCA.

As reported under the Executive Summary, 2019 saw strong recovery in its investment portfolio for the market value of its securities held as at the beginning of the year after a volatile performance experienced globally during 2018.

Increases in realised investment income also contributed to the material investment income registered for 2019.

These results are elaborated upon under subsection 2.2 of this report.

2.1.3 The PCC Income Statement

Atlas is required to report on the PCC's aggregated results for its Core and incorporated Cells and in the following extract from the financial statements the Atlas' aggregated results for the year ended 31 December 2019 are being reproduced.

	Core		Cells		Total	
	2019	2018	**2019**	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur	**Eur**	Eur
Balance on the technical account for general business	**7,155,139**	4,603,149	**749,664**	1,668,986	**7,904,803**	6,272,135
Investment income	**5,434,477**	253,652	**40,933**	25,263	**5,475,410**	278,915
Investment expenses and charges	**-239,217**	-209,456	**-4,167**	-22,839	**-243,384**	-232,295
Allocated (investment return)/expenses and charges transferred to the general business technical account	**-2,449,337**	-23,739	**-19,731**	5,210	**-2,469,068**	-18,529
Administrative expenses	**-226,070**	-261,554	**-78,592**	-33,148	**-304,662**	-294,702
Profit before tax	**9,674,992**	4,362,052	**688,107**	1,643,472	**10,363,099**	6,005,524
Income tax expense	**-3,094,279**	-1,616,219	**-403,828**	-658,100	**-3,498,107**	-2,274,319
Profit for the year	**6,580,713**	2,745,833	**284,279**	985,372	**6,864,992**	3,731,205

The below tables report on how the balance on the technical accounts for the Core and the Cells have been arrived at.

Atlas Insurance PCC Limited - PCC Aggregate in Euro '000	**Premium Written**					**Net Claims Loss Ratio**
	Gross	**Reinsurer**	**Net**	**Net Premium Earned**	**Net Claims Incurred**	**before other costs**
Medical Expense Insurance	11,933,625	9,247,031	2,686,593	1,661,070	1,415,080	0.00%
Income Protection Insurance	611,188	5,112	606,076	532,076	- 188,256	-35.38%
Motor Vehicle Liability Insurance	7,063,659	646,038	6,417,621	6,259,644	3,305,207	52.80%
Other Motor Insurance	5,693,063	-	5,693,063	5,491,904	2,993,283	54.50%
Marine, Aviation and Transport Insurance	1,574,136	936,145	637,992	624,387	214,609	34.37%
Fire and Other Damage to property Insurance	33,354,184	20,877,118	12,477,066	12,402,185	7,444,643	60.03%
General Liability Insurance	3,039,572	517,409	2,522,163	2,431,285	702,482	28.89%
Miscellaneous Financial Loss Insurance	1,126,167	1,027,105	99,062	- 3,860	- 53,883	1395.84%
Total	**64,395,595**	**33,255,957**	**31,139,638**	**29,398,692**	**15,833,166**	**53.86%**

Atlas Insurance PCC Limited - Core in Euro '000	Premium Written			Net Premium Earned	Net Claims Incurred	Net Claims Loss Ratio before other costs
	Gross	Reinsurer	Net			
Medical Expense Insurance	11,933,625	9,247,031	2,686,593	1,661,070	1,415,080	0.00%
Income Protection Insurance	611,188	5,112	606,076	532,076	- 188,256	-35.38%
Motor Vehicle Liability Insurance	7,063,659	646,038	6,417,621	6,259,644	3,244,210	51.83%
Other Motor Insurance	5,693,063	-	5,693,063	5,491,904	2,797,590	50.94%
Marine, Aviation and Transport Insurance	1,574,136	936,145	637,992	624,387	214,609	34.37%
Fire and Other Damage to property Insurance	9,852,771	8,359,391	1,493,380	1,448,474	1,391,412	96.06%
General Liability Insurance	2,996,327	514,906	2,481,421	2,388,294	650,119	27.22%
Miscellaneous Financial Loss Insurance	848,668	828,269	20,399	19,767	- 24,057	-121.70%
Total	**40,573,438**	**20,536,891**	**20,036,547**	**18,425,616**	**9,500,708**	**51.56%**

Atlas Insurance PCC Limited - Amplifon Cell Euro '000	Premium Written			Net Premium Earned	Net Claims Incurred	Net Claims Loss Ratio before other
	Gross	Reinsurer	Net			
Fire and Other Damage to property Reinsurance	**-**	**-**	**-**	**1,821,599**	**1,331,334**	**73.09%**

Atlas Insurance PCC Limited - Other Cells in Euro '000	Premium Written			Net Premium Earned	Net Claims Incurred	Net Claims Loss Ratio before other
	Gross	Reinsurer	Net			
Income Protection Insurance	-	-	-	-	-	0.00%
Motor Vehicle Liability Insurance	-	-	-	-	60,997	#DIV/0!
Other Motor Insurance	-	-	-	-	195,693	#DIV/0!
Marine, Aviation and Transport Insurance	-	-	-	-	-	0.00%
Fire and Other Damage to property Insurance	23,501,413	12,517,727	10,983,686	9,132,113	4,721,898	51.71%
General Liability Insurance	43,245	2,503	40,742	42,991	52,363	121.80%
Miscellaneous Financial Loss Insurance	277,499	198,836	78,663	- 23,627	- 29,826	126.24%
Total	**23,822,157**	**12,719,066**	**11,103,091**	**9,151,477**	**5,001,124**	**54.65%**

At year end 2019 the PCC's Core registered an overall net claims loss ratio before other expenses of 52%, whereas the PCC registered an aggregated claims loss ratio before other expenses of 54%.

Solvency II rules require that quantitative information is reported under prescribed templates. Below the Group is reproducing the Quantitative Reporting Templates (QRT) as required under regulation.

QRT Table 1 – PCC Aggregated Core and Cells in Euro '000

S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**									Total
		Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	
		C0010	**C0020**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0110**	**C0120**	**C0200**
Premiums written											
Gross - Direct Business	**R0110**	11,937	611	7,064	5,693	1,574	32,491	3,040	2	1,126	63,537
Gross - Proportional reinsurance accepted	**R0120**						858				858
Gross - Non-proportional reinsurance accepted	**R0130**										
Reinsurers' share	**R0140**	9,250	5	646		936	20,794	517	2	1,105	33,256
Net	**R0200**	2,687	606	6,418	5,693	638	12,555	2,522	0	21	31,140
Premiums earned											
Gross - Direct Business	**R0210**	7,811	537	6,885	5,492	1,540	26,049	2,971	2	1,058	52,344
Gross - Proportional reinsurance accepted	**R0220**						2,552				2,552
Gross - Non-proportional reinsurance accepted	**R0230**										
Reinsurers' share	**R0240**	6,149	5	625		915	16,116	545	2	1,141	25,498
Net	**R0300**	1,661	532	6,260	5,492	624	12,485	2,426	0	-82	29,399
Claims incurred											
Gross - Direct Business	**R0310**	5,754	-188	3,227	3,030	479	16,732	1,071	0	-584	29,520
Gross - Proportional reinsurance accepted	**R0320**						1,502				1,502
Gross - Non-proportional reinsurance accepted	**R0330**										
Reinsurers' share	**R0340**	4,338	0	-19		263	10,767	370	0	-529	15,190
Net	**R0400**	1,416	-187	3,245	3,030	215	7,467	701	0	-55	15,833
Expenses incurred	**R0550**	1,241	64	735	592	163	4,569	312	0	176	7,851
Other expenses	**R1200**										259
Total expenses	**R1300**										8,110

QRT Table 2 – PCC Aggregated Core and Cells in Euro '000

Top 5 Countries other than Malta

S.05.02.01
Premiums, claims and expenses by country

		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		BG	AT	PT	BE	FR	
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Premiums written								
Gross - Direct Business	**R0110**	40,573	930	12,108	2	4,829		58,442
Reinsurers' share	**R0140**	20,537						20,537
Net	**R0200**	20,037	930	12,108	2	4,829		37,905
Premiums earned								
Gross - Direct Business	**R0210**	36,192	815	6,718	0	3,559		47,283
Gross - Proportional reinsurance accepted	**R0220**						233	233
Reinsurers' share	**R0240**	17,766						17,766
Net	**R0300**	18,426	815	6,718	0	3,559	233	29,750
Claims incurred								
Gross - Direct Business	**R0310**	21,770	276	2,838		1,584		26,469
Gross - Proportional reinsurance accepted	**R0320**						140	140
Reinsurers' share	**R0340**	12,270						12,270
Net	**R0400**	9,501	276	2,838		1,584	140	14,339
Changes in other technical provisions								
Gross - Direct Business	**R0410**					202		202
Net	**R0500**					202		202
Expenses incurred	**R0550**	4,219		4,116			14	8,349
Other expenses	**R1200**							
Total expenses	**R1300**							8,349

2.2 Investment Performance

Atlas reports on the results for investment return of the PCC Core and for the Cells.

The PCC Core registered total investment income net of investment expenses for the year ended 31 December 2019 of €5,195,260 (2018: €44,196) which includes substantial recovery over the closing values for the investment portfolio as on end 2018 recognised as fair value gains within the Profit and Loss Account for the Company.

As reported earlier under the executive summary, local and international markets recovered material losses during the year under review that had been experienced during 2018. As stated the Board of Directors applies an investment policy which allows for reasonable return on investment while safeguarding prudence by causing appropriate spread in its allocation, and largely placing investments in high grade securities.

During the year the Cells exposed to limited market risk experienced gains for currency exchange having their related exposures reporting flat results on performance. The net return on investment for the Cells totalled €36,766 (2018: €2,424).

A summary of the investment portfolio performance is included in the below table.

Atlas Insurance PCC Limited	PCC Total		Core		Amplifon Cell		Other Cells	
Investment Performance in Euro	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Interest receivable from financial assets that are not held at fair value through profit or loss	**34,781**	10,217	**21,911.00**	0	**443**	557	**12,427**	9,660
Net gains from financial assets held at fair value through profit or loss								
- dividend income	**724,106**	453,385	**724,106**	453,385	**-**	-	**-**	-
- net fair value gains/(losses)	**2,803,309**	(1,196,878)	**2,824,001**	(1,177,564)	**(20,692)**	(19,314)	-	-
Dividend from subsidiary undertaking	**725,000**	707,692	**725,000**	707,692	**-**	-	**-**	-
Fair value gains on investment property	**519,050**	0	**519,050**	0	**-**	-	**-**	-
Gain on disposal of investment property	**264,532**	0	**264,532**	0	-	-	-	-
Exchange differences	**54,020**	14,040	**6,577**	0	**48,698**	14,157	**(1,255)**	(117)
Rental income from investment property	**349,300**	270,139	**349,300**	270,139	**-**	-	**-**	-
Investment expenses	**(242,072)**	(211,975)	**(239,217)**	(209,456)	**(64)**	(55)	**(2,791)**	(2,464)
Total	**5,232,026**	46,620	**5,195,260**	44,196	**28,385**	(4,655)	**8,381**	7,079
Perecntage Return as on 31 December	***10.12%***	*0.11%*	***11.19%***	*0.12%*	***0.78%***	*-0.13%*	***0.52%***	*-0.13%*

Atlas Insurance PCC Limited	PCC Total		Core		Amplifon Cell		Other Cells	
Investment Portfolio held in Euro	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
- land and buildings	**11,220,883**	5,746,210	**11,220,883**	5,746,210	**-**	-	**-**	-
- investment in subsidiaries	**748,058**	748,058	**748,058**	748,058	**-**	-	**-**	-
- other finanancial investments	**39,331,728**	35,254,318	**34,073,942**	30,065,075	**3,642,303**	3,662,995	**1,615,483**	1,526,248
-investments in associates	**378,500**	3,500	**378,500**	3,500	**0**	0	**0**	0
Total	**51,679,169**	**41,752,086**	**46,421,383**	**36,562,843**	**3,642,303**	**3,662,995**	**1,615,483**	**1,526,248**

The principle of prudence applied for investment related risk is elaborated on under sections 3 and 4 of this report.

2.3 Revenue derived from International Business and from other activities

The Core receives Cell facility, insurance management and oversight fees for the hosting and management of the Cells, while also recognising income derived from its expert surveying resources.

The Cells do not derive any other income other than that through their underwriting operations.

3. System of Governance

3.1 General Information on the system of governance

As stated in the executive summary Atlas Insurance PCC Limited forms part of the Atlas Group. The Group is also captured for group regulatory reporting under the Solvency II regime. As is required under Solvency II for the Atlas Group's regulatory requirements under group supervision rules the PCC's Board is entrusted to oversee the Group's compliance with all three Pillars under the Solvency II regime besides that of the PCC. As such it is also responsible to ensure that appropriate governance procedures are set within the whole group.

The PCC's system of governance is best reported on by addressing the whole structure and organisation put in place for the Group as a whole. Such system of governance is clearly addressing the PCC as a whole, Core and Cells, and sister companies within the Atlas Group.

The following is a brief outline of how the Atlas Group proceeds in addressing its system of governance by applying appropriate corporate procedures in achieving its business objectives. It is the responsibility of the PCC's Board of Directors to oversee that a system of good corporate governance is in place throughout the whole Group.

Relations with Policyholders

Atlas Group adheres to all regulated requirements as regards the policyholder and the public in general. The Group welcomes all enquiries on this report after having assessed the relevance and appropriateness of such enquiries. Senior management, including executive board members, make themselves available to any reasonable scrutiny by the policy holder and the public. At all times such communication of information is carried responsibly by the management of the Group so as to ensure appropriate disclosure.

The Group adheres to a strict complaints procedure as directed by Chapter 12 of the Insurance Rule Book under the Insurance Business Act and operates for its Complaints Management Policy through Complaints Management Function.

Relations with Shareholders

Recognising the importance of keeping open communication with shareholders, the level of disclosure with these important stakeholders within the Atlas Group is in excess of statutory requirements under the Companies Act. An Annual General Meeting for shareholders of Atlas Holdings Limited is held each year and, besides the statutory business of the Annual General Meeting as laid down in the memorandum and articles of the Company, information on group performance is presented routinely to both the Group's Board of Directors and the PCC's Board of Directors. The Chairman also communicates with shareholders through his directorship on the Atlas Holdings Limited Board which convenes three times a year and where the PCC Core's major shareholding groups are represented. This structure also ensures that directors of the Company are kept aware of the priorities of the shareholders, and that this is transmitted down through to all subsidiaries.

The Board of Directors of Atlas Holdings Limited who are appointed by the shareholders in accordance with the Company's Memorandum and Articles are:

Lawrence Zammit MA (Econ) – Chairman
Michael Gatt
Catherine Calleja BA (Hons), ACII
Matthew von Brockdorff FCII
Robert von Brockdorff
Walter Camilleri
Albert Formosa
John Formosa
Brian Valenzia

Cellular shareholders within the PCC are also addressed by the PCC's Board as is explained in the following sub sections.

Atlas Group Systems of Governance

The board of directors of Atlas Insurance PCC Limited ensures that the Company adopts the MFSA Corporate Governance Guidelines for Public Interest Companies. As a public interest company as well as a large private company as defined under these Guidelines, the Company highlights adherence to this Code in its Annual Report. Additionally, as a licensed insurance undertaking, it is also regulated by various rules issued under the Insurance Business Act (Cap 403) and is guided by the EIOPA Guidelines on Systems of Governance and other international models of best practice.

3.2 Responsibilities, reporting lines and allocation of functions

The Solo Undertaking's members of the Board of Directors are elected by the shareholder at the Annual General Meeting of the PCC.

There is a clear division of responsibilities at Atlas between the running of the board and the executive responsibility for the running of the business. The separation of the Chair and Chief Executive Officer roles increases the board's independence from management and leads to better monitoring and oversight and, ultimately, to board independence. The primary role of the Chairman of the board is to focus the board on the ongoing development and determination of the Company's strategy and direction. The Chairman creates and maintains the right conditions for constructive discussion and the participation of all directors to enable each director to play a full and constructive role in the affairs of the Company.

The Board of Directors establishes committees with delegated authority and clear reporting lines as described in sub-section 1.2 above and further elaborated under sub-section 3.2.1 below.

3.2.1 Responsibilities and reporting lines

The PCC's Board of Directors

The Atlas Board of Directors is composed of seven members who are considered fit and proper to direct the business of the Company. The board is appointed annually and assessed in order to ensure that members collectively have the required mix of knowledge, judgement and experience as well as qualifications to oversee the continued successful performance of the insurance undertaking. Board Members are judged to have the necessary background in insurance and financial markets, business strategy, risk management and governance, financial and actuarial analysis, legal and regulatory frameworks as well as information technology and human resources management in order to be able to provide the necessary leadership, integrity and judgement to direct the Company.

The board is appointed at the Annual General Meeting as per the Memorandum and Articles of Association of the Company and during 2019 was composed of a majority of four Independent Non-Executive Directors (NEDs) and three Executive Directors one of whom was the Chief Executive Officer of the Group and Managing Director of the Company. The other Executive Directors on the board were the Deputy Managing Director and the Group Company Secretary, who bring additional knowledge and experience to the table. At the end of March 2020, Mr Michael Gatt retired from his position as Managing Director and Chief Executive and Mr Matthew von Brockdorff, previously the Deputy Managing Director, assumed this role from April. Mr Michael Gatt remains on the board as a non-executive director.

The current board members appointed by Atlas Holdings Limited are:

Lawrence Zammit M.A. (Econ.) – Chairman
Franco Azzopardi M.Sc. (Leicester), F.I.A. , C.P.A. – Non Executive
Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan) – Non Executive
Catherine Calleja B.A.(Hons.), A.C.I.I. – Executive and Company Secretary

Michael Gatt
Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick) – Non Executive
Matthew von Brockdorff F.C.I.I. – Managing Director and Chief Executive Officer

While the board structure is designed to have executive management representation through the two executive directors' input, it is led by a non-executive Chairman. The four other independent non-executive directors bring a breadth of experience, skills and knowledge to be able to contribute their experience to the development of the strategy and governance of the company. Non-executive board members are chosen for their diverse and complementary backgrounds in the fields of law, auditing and accounting, international business, HR and IT.

Board and board committee meetings are scheduled at the start of the year. During 2019 the board met routinely but also including ad-hoc meetings set for specific agenda items of discussion, such as the Own Risk and Solvency Assessment report, proposed reinsurance programmes and the assessment of the annual actuarial report.

Executive Committee (EXCO)

This Committee is chaired by the Chief Executive Officer and during 2019 was made up of the three Executive Directors and the Group Chief Financial Officer, the Chief Underwriting Officer, the Chief Commercial Officer and the Chief Strategy Officer. It met ten times in 2019 but also met on specific issues with the board on two other occasions during the period and participates in board education initiatives. The minutes of the meetings of this Committee are copied to board members, and matters arising are regularly discussed at board meetings.

The Executive Committee is responsible for implementing the strategy of the Company developed with the board. This involves development and deployment of business plans and detailed budgets on an annual basis to achieve the key strategic goals developed with the Board of Directors. It is also heavily involved in policy development and change in various areas of the Group including information systems planning, human resources development and talent management, sales and marketing, information systems planning and the consideration of new business opportunities. As part of the succession plan, from January 2020, the Deputy Managing Director, now the Managing Director, took the Chair of the Executive Committee and two further senior executives joined the committee being the Chief Information Officer, Mr Vinay Aarohi, and the Chief Officer, Personal Insurance Operations, Mr Keith Tanti.

Other Board Committees

The board delegates specific responsibilities to a number of board and executive committees, notably the Audit, Risk and Compliance, Remuneration and Nominations, Investment, Information Technology and the Protected Cells Committees.

These committees have charters which are set and regularly reviewed by the board. Committee meeting progress and matters arising from minutes of meetings are regularly discussed at board level.

COVID-19 Pandemic

In terms of the impact of COVID-19 on operations, Atlas rolled out its business continuity contingency plans as soon as developments started to emerge. A dedicated COVID-19 response team was set up in order to monitor developments on a daily basis. Atlas' readiness in terms of business continuity meant that disruptions to the daily operations were kept to a minimum. Atlas is also looking at the longer term impact on its risk management & internal control systems, as the risks that the Company faces are likely to change in the light of the unfolding economic crisis.

Atlas has also been in ongoing communication with the various cell owners to understand the mitigating measures undertaken to reduce disruptions to the daily operations of the cells. Adequate measures are being put in place in this regard.

3.2.2 Group structure and allocation of responsibilities

The Board of Directors of the PCC have identified key function areas of responsibilities as defined in Chapter 6 under Malta's insurance regulations. These key function areas of responsibility are those identified as the:

- Actuarial Function
- Risk Management Function
- Internal Audit Function
- Compliance Function

The Board of Directors has also identified other critical functions of the Group and these are:

- Insurance Claims
- Corporate
- Underwriting and Reinsurance
- Finance
- Information Systems
- Marketing and HR
- Complaints Handling

Atlas Group Governance Structure

Atlas Holdings Limited
Board of Directors
Lawrence Zammit Chairman
Michael Gatt
Matthew von Brockdorff
Robert von Brockdorff
Walter Camilleri
Catherine Calleja
Albert Formosa
John Formosa
Brian Valenzia

Atlas Insurance PCC Limited[1]
Board of Directors
Lawrence Zammit MA (Econ) Chairman (INED)
Matthew von Brockdorff FCII Managing and Chief Executive Officer (ED)
Franco Azzopardi MSc, FIA, CPA (INED)
Catherine Calleja BA (Hons), ACII Company Secretary (ED)
Andre Camilleri LLD, Dip Econ & Ind Law (INED)
Michael Gatt (INED)
Philip Micallef BSc (Eng.), MIEE, CEng, Eur Ing, MBA (INED)

Remuneration and Nominations Committee
Lawrence Zammit MA (Econ) – Chair
Andre Camilleri LLD, Dip Econ & Ind Law
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA
Catherine Calleja BA (Hons), ACII (secretary – in attendance)

Investment Committee
Lawrence Zammit MA (Econ) – Chair
Franco Azzopardi MSc, FIA, CPA
John P Bonett
Andre Camilleri LLD, Dip Econ & Ind Law
Mark Camilleri
Michael Gatt
John Muscat FCCA (CFO – in attendance)
Rodianne Bugeja Marston (secretary – in attendance)

Audit Committee
Franco Azzopardi MSc, FIA, CPA – Chair
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA
Michael Gatt
Lawrence Zammit MA (Econ)
Ivan Distefano – in attendance
Martin Gauci (Secretary – in attendance)

Protected Cells Committee
Matthew von Brockdorff FCII – Chair
John Bonett
Catherine Calleja BA (Hons), ACII
Mark Camilleri
David Mifsud FCII
Ian Edward Stafrace, M.Sc FCII CFIRM PIOR
Angelita Deficata ACII, IRM Cert (secretary – in attendance)

Risk and Compliance Committee
Andre Camilleri LLD, Dip Econ & Ind Law – Chair
Franco Azzopardi MSc, FIA, CPA
Catherine Calleja BA (Hons), ACII
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA
Matthew von Brockdorff FCII
Ian Edward Stafrace MSc FCII CFIRM PIOR
Andrew Briffa BSc AIA AFA *(in attendance)*
Angelita Deficata ACII, IRM Cert (secretary – in attendance)

Information Systems Committee
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA – Chair
Vinay Aarohi B.A. (Comp Sci)
Catherine Calleja BA (Hons), ACII
Michael Gatt
Ian Edward Stafrace MSc, FCII, CFIRM, PIOR
Matthew von Brockdorff FCII
Lawrence Zammit MA (Econ)
Angelita Deficata ACII, IRM Cert (secretary – in attendance)

Executive Committee
Matthew von Brockdorff FCII – Chair
Vinay Aarohi BA (Comp Sci)
Catherine Calleja BA (Hons), ACII
Mark Camilleri
Robert Micallef
David Mifsud FCII
Ian Edward Stafrace MSc, FCII, CFIRM, PIOR
Keith Tanti MA, FCII, ACIB

Other Critical Functions of the Group:
Insurance Claims - Matthew von Brockdorff FCII
Corporate - Catherine Calleja BA (Hons), ACII
Underwriting and Reinsurance - David Mifsud FCII
Finance - Mark Camilleri, John Muscat FCCA

Key Functions of the Group:
Risk Management Andrew Briffa BSc AIA AFA
Internal Audit Ivan Distefano
Actuarial Function Outsourced to Barnett Waddingham under the oversight of John Muscat
Compliance Andrew Briffa BSc AIA AFA

Key
INED: Independent Non-Executive Director, ED: Executive Director

3.2.3 Board committees

As provided for in the Memorandum and Articles of the Company and in line with the System of Governance requirements under the Solvency II Directive and the Commission Delegated Regulations, the board has delegated specific responsibilities to board committees. The Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, IT Committee and the Investments Committee are all chaired by independent directors and oversee policy and controls in these important areas.

The Protected Cells Committee, the Information Technology Committee and the Executive Committee provide additional support and information to the board. Appointment to all the above mentioned committees is the prerogative of the board of directors. Each committee enables a high level of interaction with key functions reporting to such committees and to the boards of group companies. The board is also copied with minutes of the committee meetings and matters arising from such committees are a standard agenda item at board meetings. The committees also have charters, which are set and annually reviewed by the board and they also annually review their performance.

Audit Committee

The Audit Committee met five times during 2019. The Committee, composed entirely of non-executive directors, is chaired by Mr Franco Azzopardi who has the required competence in financial literacy and expertise in accounting, internal controls and auditing to perform this function. Other members of the committee are Mr Lawrence Zammit and Mr Philip Micallef. Mr Michael Gatt joined this committee in April 2020 and Mr Lawrence Zammit resigned from this committee from the same date.

The Committee has oversight of the integrity of the Group's financial reporting, the qualifications and independence and performance of the Group's external auditors as well as the performance of the Group's internal audit function including the internal control systems. It also reviews and assesses the qualitative aspects of financial reporting to shareholders and meets with external auditors, to review any problems or difficulties they encounter as well as to review audit plans prior to the commencement of audit cycles and finally to review financial statements prior to their presentation to the board. The Committee also takes responsibility for the selection process for external auditors as well as reviewing and monitoring the independence of the external auditors and pre-approves any permitted non-audit services to be performed by the auditors.

As part of its oversight of the internal audit function, the Committee is involved in the setting of risk based annual internal audit plans for the Group. It also reviews the internal audit function's performance relative to the plan. Regular liaison with the Risk function and indeed the collaboration with the Risk and Compliance Committee enables the Audit Committee to function according to priorities aligned with the Group's risk register and risk appetite. The Committee also reviews protected cell issues and monitors results of cell inspections and related internal control systems. Meetings between the Committee, other board committee members and members of senior management also take place, especially in the area of financial controls.

The Committee appoints the Internal Auditor and ensures that the function is free to work independently and objectively and ensures succession planning of this role. It also ensures that the internal auditor has the necessary resources and access to information to fulfil the mandate of the function and does not perform any operational functions. The Committee benchmarks the function's activities against recognised standards such as, inter alia the Institute of Internal Auditors and the International Standards for Professional Practice of Internal Auditing as well as Regulatory requirements. The Internal Audit function, through the Audit Committee and its Chairman, has direct access to the Board of Directors and meets regularly with the Company's Chief Risk and Compliance Officer.

Outside the formal Audit Committee meetings, the Audit Committee Chairman regularly met the Internal Auditor, Mr Ivan Distefano, during 2019. These meetings serve to give guidance and receive feedback, and ensure the independence of the internal auditor as well as his continuing professional development. The oversight of related party transactions is also the responsibility of this Committee.

Remuneration and Nominations Committee

This committee, composed entirely of independent non-executive directors, met twice during 2019. The Chairman of the board chairs this Committee and is considered by the board to have the required knowledge, experience and skills for this position. Dr Andre Camilleri, the Senior Independent Director, and Mr Philip Micallef are the other two non-executive Directors appointed to sit on the Committee. Executive Directors attend meetings by invitation as and when required.

As per the EIOPA Guidelines on Systems of Governance, this Committee is established to exercise competent and independent judgement on the Group's Remuneration policy and its oversight. The Committee also assists and advises the board on matters relating to the remuneration of the board and senior management and, in particular, determines the remuneration of the Chief Executive, Executive Directors, members of the Executive Committee and the Internal Auditor. The Committee approves the structure and design of performance related pay schemes and approves annual payments made under this policy. During 2019, a review of the remuneration policy including the performance management system, including a detailed benchmarking exercise, was carried out. It was felt that this was required in the challenging recruitment and retention climate in 2019. The Committee also ensures that provisions regarding disclosure of remuneration are fulfilled and that the Remuneration Policy is applied consistently across the Group and complies with legal requirements. Furthermore, it ensures that material risks at Group level linked to remuneration issues are managed.

In terms of Article 8(1) of the Insurance Business Act and, more specifically, as per Insurance Rulebook's Chapter 2: Fit and Proper Criteria, Notification and Assessment, the Group ensures that all persons who effectively run the undertaking or have other key functions are at all times 'fit and proper' persons. The Committee has been assigned the responsibility for overseeing the continuing fitness and properness of such persons and oversees this process on an ongoing basis. Questionnaires are completed and independent checks using various sources are also carried out on an annual basis.

The board determines that the size and complexity of the Group does not necessitate a separate nominations committee and the remuneration committee leads the process of succession planning for board appointments and as such makes recommendations to the board and shareholders for such appointments.

Risk and Compliance Committee

Dr Andre Camilleri, the Senior Independent Director, chairs the Committee as the designated director for oversight of the risk management system, as required for regulatory purposes. During the period under review, the committee met four times. Mr Franco Azzopardi, Ms Catherine Calleja, Mr Philip Micallef, Mr Ian-Edward Stafrace and Mr Matthew von Brockdorff also formed part of the Committee during 2019. Mr Matthew von Brockdorff will resign from this committee in April 2020. Mr Andrew Briffa, Chief Risk and Compliance Officer and an Associate Actuary of the UK Institute and Faculty of Actuaries, regularly attends meetings.

Together with the Chief Risk and Compliance Officer, the Committee coordinates, facilitates and has oversight of the risk management function including the development of the Group's risk appetite and ongoing risk strategy and governing policies. The Committee also oversees risk management at Group level, monitoring developments in the Group's policies, strategy, operations, and environment that may significantly affect uncertainties faced by the organisation. It reviews quarterly status reports on the Company's risk appetite in the major risk categories, as well as regular reports relating to the various risk areas of accountability assigned across the organisation and any significant incidents including any near misses, both in the core and in cell operations. The committee also has oversight of the Compliance function ensuring that the Group continues to maintain its systems to ensure regulatory compliance and readiness for anticipated regulatory changes.

The Committee continues to develop its role in evolving the methodology and assumptions underlying the models for determining the Group's economic and regulatory capital requirements as assessed under the ORSA (Own Risk and Solvency Assessment) process. Key members of the senior management team are invited where relevant to the discussion and regular attendance from external experts such as those in the area of Cyber risk is also a feature of the committee meetings. During 2019, the committee continued to monitor closely the Group's adherence to the highest of standards in cyber security to ensure full compliance with data protection requirements for Group Companies, TIIs and outsourced functions. The committee also reviews customer complaints and the root cause analysis, which is carried out to analyse these, as well as relevant training in various areas of compliance and risk management.

Investments Committee

This Committee is appointed to take responsibility for formulating the Group's Investment Policy and to ensure that the Group's investment management is conducted according to this policy. The Committee acts in accordance with the Prudent Person Principle as stipulated in Article 132 of the Solvency II Directive.

In 2019, the Committee met four times. Mr Lawrence Zammit again chaired the Committee and members included Dr Andre Camilleri, Mr Franco Azzopardi and Mr Michael Gatt, Chief Executive Officer, as directors on the committee while the Group Chief Financial Officer, Mr Mark Camilleri and Mr John Bonett are additional members. Mr Matthew von Brockdorff will join this committee from April 2020.

The Committee sets investment parameters, mandates with discretionary managers, and asset allocations in line with the Investment Policy, the Asset Liability Management Policy and the Board's Risk Appetite Statement. It annually reviews the Investment Policy, the Asset Liability Management Policy and the relevant Risk Appetite Statement and ensures alignment between these policies and regulatory requirements.

The Committee also engages, after board appointment, investment services providers entrusted to manage the investment portfolio on a discretionary basis, and reviews the performance of such managers. Discretionary managers regularly address and report to the Committee and other board and Executive Committee members attend these presentations. Detailed performance reports are provided to Investments Committee members on a monthly basis. Any investments made in excess of their mandate are always referred and subject to the Board's Risk Appetite or with the Board's exceptional approval. The Committee also oversees the Company's property investments and recommends action to the board. During 2019 a number of acquisitions and sales of property were made in line with the direction taken to move away from residential and more into commercial rentals

Information Technology Committee

This Committee addresses strategic issues relating to Information Technology. The committee is chaired by Mr Philip Micallef and the members are Mr Lawrence Zammit, Mr Michael Gatt, Mr Matthew von Brockdorff, Mr Ian Stafrace and Mr Vinay Aarohi who is the Chief Information Officer. Ms Catherine Calleja joined the committee from April 2020. The committee met ten times during 2019 and oversaw the decision making process on the choice of provider of the new digital platform which has since been purchased during the period.

This Committee's mandate is to ensure that IT priorities, particularly during the deployment of this new digital platform, are aligned with the Group's strategy and that the major IT investment and expenditure deliver the expected results. The committee supports Atlas Management on IT policy, strategy and governance and reviews the reports obtained by external consultants in this area.

Protected Cells Committee

This Committee proposes policy and broad guidelines to the board in relation to underwriting policy for the acceptance of protected cells within the Company. The Committee has oversight over the operational and financial progress of each cell, including its solvency and any potential impact on the solvency of the Atlas core. It also ensures that regular cell inspections are carried out. The Committee also, where applicable, oversees relationships with cell managers and quarterly cell KPIs are submitted to the board of directors as part of the financial reporting process. The Committee also oversees the review of new cell applications and presents detailed cell application proposals to the board for approval, prior to submitting them to the Regulator. The committee has overseen the process of the Company's acceptance into the UK's Temporary Permissions Regime by the UK FCA/PRA which will ensure the continued right to write UK business under different Brexit scenarios following December 2020.

The Chief Executive Officer chairs the Committee, which met four times in 2019. Apart from the Chairman, the Committee was composed of the two other Executive Directors of the Company as well as the Chief Underwriting Officer, the Chief Strategy Officer and the Group Chief Financial Officer, as well as Mr John Bonett during 2019. Mr Michael Gatt will no longer form part of the committee after April 2020.

Individual Cell Committees

The PCC establishes a Cell Committee for each cell with terms of reference approved by the Board to decide on, coordinate and monitor operations of the respective cells including underwriting and investments. Each Cell Committee includes the PCC's Chief Underwriting Officer and Group Chief Financial Officer with delegated authority approved by the Board. These two officers of the PCC are also supported by the Chief Strategy Officer and the Chief Financial Officer. The other members could include representatives of the cell owner and where applicable of the insurance management company.

The Chief Underwriting Officer and Group Chief Financial Officer, as representatives of the Committee, form part of the cell committees of the relative cells, which review financial performance, risk management and compliance issues relating to cells together with cell owners and managers. The Committee is delegated with the responsibility to approve charters and membership of the said cell committees, which are central to the maintenance of the positive ongoing relationship with cell shareholders

The individual Cell Committees are part of the first line of defence in managing the risks of the respective cells. Atlas requires Cell Committees to have as a minimum a standing agenda item to "Review progress of outstanding items on past cell site inspections, audits or compliance visits" where outstanding items apply. Cell Committee meetings predominantly discuss arising/pending risk and compliance items besides general performance, however a general item "other risk and compliance matters" must be kept as a standing item in each agenda.

3.3 Fit and proper requirements

As an authorised undertaking, the Atlas Group must apply fit and proper criteria on an ongoing basis for all persons who effectively run the operation or hold other key functions. In terms of article 8(1) of the Insurance Business Act and more specifically as per Insurance Rules Chapter 2: Fit and Proper Criteria, Notification and Assessment, Atlas Group should ensure that all persons who effectively run the undertakings or have other key functions are at all times 'fit and proper' persons.

Atlas Group's Fit and Proper Policy regulates the compliance procedures which are implemented within the Group. To ensure that the foregoing policy statement is carried out, and to ensure adherence with all related legislation, the Atlas Holdings Limited Board of Directors established and approved such Policy for the Group.

The Atlas Holdings Board has delegated to the Company's Board and eventually to the Group's Remuneration and Nomination Committee authority and responsibility for fitness and properness requirements in accordance with the Committee Charter approved by the Atlas Board.

3.3.1 Applicability

The Policy applies to:

a) Persons who effectively run the Atlas Group i.e. Directors (Executive and Non-Executive, including directors responsible for distribution activities), Controllers or Chief Executive Officers;

b) Persons responsible for the key functions or overseeing key functions where the function is outsourced ('key function holders');

c) Qualifying shareholders of the Atlas Group, including Cell Owners in the case of a cell company;

d) persons registered in the Agents or Managers register and carrying out insurance distribution activities

e) Managers and Individuals who are responsible for the effective management of Atlas Group's Branches;

f) MLRO;

g) Atlas Group's Tied Insurance Intermediaries and Ancillary Insurance Intermediaries;

h) Members of Atlas Group's various Board Committees;

i) Persons within the management structure designed to be responsible for the distribution of insurance products ('relevant persons') in terms of Chapter 6 of the Insurance Distribution Rules;

j) Investment advisors.

3.3.2 Requirement of fitness and properness and implementation

In terms of article 8(1) of the Insurance Business Act and more specifically as per Insurance Rule's Chapter 2: Fit and Proper Criteria, Notification and Assessment, Atlas Group should ensure that all persons who effectively run the undertakings or have other key functions are at all times 'fit and proper' persons.

In deciding whether a person is 'fit and proper', Atlas Group should be satisfied that the persons listed indicated above:

a) Have the personal characteristics, including that of being of good repute and integrity (proper);
b) Have the professional qualifications, and possess the adequate level of competence, knowledge and experience, as well as being financially sound (fit),

so as to enable such persons to carry out their duties and perform the key function effectively and to enable sound and prudent management of the relevant Companies.

Prior to the appointment of any person mentioned above, the Group conducts due diligence procedures in order to ensure they are fit and proper by conducting checks on:

- Integrity and reputation
- Identity verification
- Ability to work in Malta from a regulatory perspective
- Reliability based on past working experience
- Financial stability
- Conflict of interest

Furthermore, Atlas Group ensures that the persons proposed/performing a key function are in possession of relevant qualifications.

Key function	**Qualification**
Risk Management function	- Risk Management qualification from a reputable professional or tertiary education institution; or - Financial services qualification from a reputable professional or tertiary education institution; or - Engineering/Scientific qualification from a reputable professional or tertiary education institution.
Compliance function	- Legal qualification from a reputable professional or tertiary education institution; or - Financial services compliance qualification from a reputable professional or tertiary education institution; or - Other financial services qualification from a reputable professional or tertiary education institution.

Internal Audit function	- Internal/Quality auditing qualification from a reputable professional or tertiary education institution; or - Financial services (including accounting) qualification from a reputable professional or tertiary education institution; or - Scientific qualification from a reputable professional or tertiary education institution.
Actuarial function, *where the insurance undertaking carries on life insurance business (not writing with-profits business and/or life insurance business with guarantees) and/or non-life companies*	- Fellow of the Institute and Faculty of Actuaries (UK) or actuarial qualifications of similar standing from a reputable institute - Certified Actuarial Analyst (CAA) offered by the Institute and Faculty of Actuaries (UK) or actuarial qualifications of similar standing from a reputable institute

If a Company within Atlas Group outsources its key functions, fit and proper procedures are carried out in assessing persons employed by the services providers or sub-service providers to perform an outsourced key function.

Implementation and Controls

In order to ensure that this policy is fully implemented and controlled Atlas Group has delegated to the Company Secretary the responsibility for Compliance in respect of the above regulatory requirements. In the Atlas' Group Compliance Control Calendar the following controls have been set:

- The Company Secretary is responsible for correspondence with MFSA in matters relating to appointment of new individuals listed above and their ongoing monitoring, where required,

- The responsibility for the notification to the MFSA that any such person has ceased to hold such a position or changed also rests with the said Company Secretary.

- Any person who no longer meets any of the Fitness and Properness criteria will need to be referred to the Remuneration, Nomination and Related Parties Committee for discussion as to their future position within the company.

Furthermore the Group also has a performance management system whereby roles and responsibilities of all persons holding positions of responsibility including board members and management are clearly defined and regularly assessed.

The Group also carries out certain procedures which are specific to the relevant position. In this regard, when it comes to **persons holding a key function** position, the Group ensures that they hold recognised qualifications by obtaining a copy of the certificate/transcript/ records evidencing the qualifications. The Group also monitors compliance with ongoing continuing professional development (CPD) requirements.

a) If the Key Function Holder is required to be registered with a professional body, it is the duty of the Group to require and maintain a copy of the person's licence or certificate to practice and where licence/ certificate is renewed on an annual basis (or more or less frequent) basis, Atlas Group would require a copy of the most recent renewal;

b) If maintenance of a qualification is dependent on completing continuing professional development (CPD), the Group requires the person to self-certify that he or she is compliant with the particular CPD requirements. Where an individual must maintain up-to-date CPD in order to renew his/her practising certificate, evidence of the renewal of that practising certification will be regarded as sufficient to evidence CPD.
c) The Group uses the recruitment interview process to assess competence and capability (such as skills and experience), and maintains written notes of the interview to evidence this;
d) As part of its assessment, Atlas Group makes all reasonable efforts to obtain adequate references in respect of previous employment and keep these records in the key function holders' HR file.
e) Where the person performing or overseeing the key function has other involvements in other entities, the Group obtains confirmation from that person that the performance of his/her responsibilities in the other directorships will not adversely impact on his or her ability to perform or oversee the key function from a timing perspective or otherwise.
f) The company concerned within the Group should ensure that the person performing or overseeing the key function does not have other engagements which conflict with the performance or oversight of the key function.

In addition Atlas Group ensures that ongoing integrity checks are run for key functions, including both potential legal or reputational issues related to the individuals.

In this regard a "Fitness and Properness Questionnaire" is requested by the Group to be filled in by the persons involved on an annual basis and the questionnaire is submitted to the Group's Company Secretary who, together with the Group Chief Risk and Compliance Officer, carries out the assessment. Regular related checks on involvement in litigation, creditworthiness and listing in sanctions lists and conflicts of interest are also carried out.

In addition, fitness and properness of the Group's Tied Insurance Intermediaries is controlled by the completion of a Specific Tied Insurance Intermediary Questionnaire. Such Tied Insurance Intermediaries need to complete such Questionnaire on an annual basis and submit it to the Group's Branches and Intermediaries Manager who, together with the Company Secretary and the Group Chief Risk and Compliance Officer, assess the fitness and properness of such Tied Insurance Intermediaries.

3.4 Risk management system, including the Own Risk and Solvency Assessment

3.4.1 Governance framework

The PCC's Board of Directors follows a Group wide Risk Management Policy and this Section outlines key elements of the Risk Management Framework adopted by Atlas Group.

For the purposes of regulatory compliance with Solvency II regulations and guidelines, the Risk Management Policy addresses the requirements to have in place strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis, the risks, both at an individual and at an aggregated level, to which Atlas Group is or could be exposed.

This policy covers internal controls, operational RM, strategic RM, reputational RM as well as the Own Risk and Solvency Assessment (ORSA) process. The ORSA process itself is a key element towards the Enterprise Risk Management (ERM) approach adopted by Atlas.

This policy is reviewed on a yearly basis and should reflect any regulatory, organisational and risk environment changes. It is also the RM Function's objective to regularly review the risk management processes and procedures, as well as risk management practices, tools and methodologies.

Related policies, charters (terms of reference) and other documents that also contribute to having in place an effective RM system are:

Governance & Strategy
- Board Governance
- Business Planning Cycle and Rolling Strategic Plan
- Risk & Compliance Committee Charter
- Audit Committee Charter
- Internal Audit Accountability Profile
- Remuneration and Nominations Committee Charter
- Investments Committee Charter
- Actuarial Governance Policy and Terms of Reference
- IT Committee Charter

General
- Risk Appetite Statement
- Risk Register
- Fit & Proper Policy
- Remuneration Policy
- Outsourcing Policy
- Business Continuity Management Policy
- Common Risk Language & Glossary Of Risk Terms

Risk Specific
- ALM Policy
- Credit Risk Policy
- Investment Policy
- Liquidity Risk Policy
- Underwriting & Reinsurance Policy (Atlas PCC)
- Claims Management Policy
- Compliance Policy

Protected Cells (Atlas PCC)
- Cells Committee Terms of Reference
- Committee Terms of Reference of individual Cells
- Operations Manuals of individual Cells

Board policies are reviewed on a yearly basis to reflect regulatory, organisational and risk environment changes.

Risk Strategy and Guiding Principles

"Atlas Group believes that good risk management that is visible, repeatable and consistently applied to support decision making increases probability of success and reduces probability of failure and the uncertainty of achieving overall objectives."

The risk strategy defines the extent to which the Group is prepared to incur risks. The risk strategy describes the extent to which a risk is desirable and, consequently, whether it is acceptable or must be mitigated through risk limits or budgets, risk controls or risk transfer. The risk strategy is therefore determined by the risk appetite, which in turn is defined by a series of risk criteria.

Atlas' approach to risk management is guided by a number of principles. These include risk transparency, proportionality, management accountability, independent oversight, fit and proper as well as risk awareness and culture. Risk management is embedded into the culture of the organisation with all staff playing an active role in the management of risk as defined within their accountability profiles.

The implementation of risk management at the operational level includes the identification, evaluation and assessment of risks, and the resulting risk response and monitoring. This broad four-stage RM Process is emphasised with all Atlas staff in training and workshops that is to be also applied in decision-making, objective setting and project management with the aim of ensuring such is embedded into the Group's risk culture:

1. The **risk identification** process produces a comprehensive list of risks that are organised by risk category and sub-category within the Risk Register. The quantitative component of risks is identified by means of appropriate systems and indicators, and these are supplemented by expert judgment and assessments by the Risk Manager and the Risk Committee to further assess the qualitative component.

2. The **risk assessment** process has the purpose of determining how big the risks are, both individually and collectively, in order to focus management's attention on the most important threats and opportunities, and to lay the ground work for risk response. Risk assessment is all about measuring and prioritizing risks so that risk levels are managed within the defined tolerance thresholds.

3. The **risk response** process involves determining how to respond to the assessed relevant risks. Responses include risk avoidance, reduction, sharing, and acceptance. In considering the type of response, an assessment of the effect on risk likelihood and impact as well as on costs and benefits need to be carried out, selecting a response that brings residual risk within the desired risk tolerance limits.

   As with assessing inherent risk, residual risk may be assessed qualitatively or quantitatively. Generally, the same measures used in assessing inherent risk are used in assessing residual risk.

4. The **monitoring** process involves reviewing the entirety of the risk management processes and procedures and to make modifications where necessary. This is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.

Some risks are dynamic and require continual ongoing monitoring and assessment. Other risks are more static and require reassessment on a periodic basis with ongoing monitoring triggering an alert to reassess sooner should circumstances change.

A key consideration in the above processes is the availability of information. Information is needed in all functions and in all processes to identify, assess, and respond to risks. In this respect, internal communication is fundamental to create the right internal environment and have adequate information flows.

Roles and Responsibilities

Atlas adopts a three lines of defence approach considered as best practice. Responsibilities are defined in the Risk Management Policy along this approach:

As a first line of defence, all individuals are responsible for the management of risks in their respective areas. Risk owners and management have ownership, responsibility and accountability for identifying, assessing, controlling and mitigating risks together with maintaining effective internal controls. Risk management responsibilities are accordingly incorporated in the accountabilities of the individuals concerned. The second line of defence facilitates and monitors the implementation of effective risk management practices by operational management and risk owners. As a third line of defence, the internal audit function, through a risk-based approach, provides independent assurance to the organisation's board and senior management, on how effectively the organisation assesses and manages its risks, including the manner in which the first and second lines of defence operate.

In this regard the Group adopts a four-eyes principle whereby significant decisions are required to be supported by at least two persons having major decision-taking powers. Sufficient segregation of duties is required to be maintained to ensure persons performing tasks are not also responsible for monitoring and controlling the adequacy of this performance. Where such is not possible then any potential conflicts of interest are managed appropriately to safeguard proper decision-taking or task execution.

3.4.2 Risk register

The central active risk management document used by the Group is the Risk Register, which comprehensively captures the risks the organisation is exposed to under all Risk Categories, and for each risk identified it establishes:

- The Risk Category and detailed risk description;
- The Risk Owner (and assistants to the risk owner where applicable) responsible for the risk as part of the Group's first line of defence;
- The Atlas Group companies in scope if not Group wide
- Evaluation of risk's inherent and residual likelihood and severity together with its ranking in relation to other risks;
- Risk Appetite and Key Risk Indicators (qualitative &/or quantitative);
- The associated internal controls;
- Any planned future controls of the risk.

The risk register is in constant evolution, due to the ongoing processes of identification of new risks, changes to existing risks, changes to risk owners, formalisation or improvement of risk controls and internal audit exercises.

The risk register is maintained by the CRCO through input from Risk Owners, Senior Managers and staff in general in accordance with the established roles and responsibilities, and is reviewed by the Risk & Compliance Committee.

3.4.3 Risk evaluation

The Group defines the following risk categories:

Risk Category	Definition
Operational	Potential losses resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes risks of internal and external fraud, as well as legal risks.
Underwriting	Risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. This is only applicable to Atlas PCC.
Credit	Risk of a financial loss if another party fails to perform its obligations or fails to perform them in a timely manner. Key counterparties include reinsurers, financial institutions, intermediaries, ceding companies & insureds.
Market	Risk that arises from fluctuations in values of, or income from, assets or interest or exchange rates. Credit risk associated with bonds is captured under this category, as is market concentration risks associated with equity, bonds and property.
Liquidity	Risk that the Group is unable to realise investments and other assets in order to settle financial obligations when they fall due
Strategic	Risk of the current and prospective impact on earnings or capital arising from wrong business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

Reputational	Risk of a potential loss through the deterioration of the Group's reputation or standing due to a negative perception of the Group's image among policyholders, counterparties, shareholders and/or supervisory authorities.

The categorisation follows best practice and current regulations.

The Group identifies its **Credit risk** through the review and measurement of the factors that could affect the credit rating of its counterparties, intermediaries and insureds.

Atlas Group assesses the creditworthiness of all reinsurers, intermediaries and customers by using credit grade references provided by rating agencies, and other publicly available financial information. Where this information is not available the granting of credit facilities to customers and intermediaries would be dependent on trends and historical data in order to obtain comfort on creditworthiness.

3.4.4 Risk appetite

The Atlas Group takes on and manages risks to achieve its objectives. The Board has set a risk appetite statement that broadly describes the types and amounts of risk which the Group is willing to take in pursuit of these objectives.

The Group's objectives include achieving target performance and maximising shareholder value, preserving a level of solvency that would support the Group in challenging environments, maintaining adequate liquidity to satisfy obligations as they come due, and protecting all aspects of Atlas Group's value, including its brand and reputation.

Underlying the Group's risk appetite are risk tolerances, high-level quantitative measures and qualitative assertions for the maximum risk allowed, set at corporate level and in line with the needs of our stakeholders. At the highest level, they are intended to assure we maximise the likelihood of delivering on our mission, strategy and objectives.

Risk Appetite is cascaded down by senior management into more detailed expressions of appetite or limits applicable to each business function and each risk described in the Risk Register. This facilitates risk-taking decisions of all employees.

3.4.5 Reporting processes for the risk management system

As already expressed in this report the Group adopts a wide and detailed reporting process with the Board of Directors ultimately having full overview.

The Risk and Compliance Committee reviews updates given by the Risk Management Function through reports dealing:

- Risk appetite status updates
- Periodic status updates on risk and compliance objectives and initiatives
- Updates on the risk and control reporting given by the Risk Owners
- Escalation of risk notifications from staff and management
- Updates on other risk events and near misses logged on the Risk Events Register
- Matters related to risks listed in the Risk Register and potential new risks being identified
- Matters related to the ORSA process

The Own Risk and Solvency Assessment (ORSA) which is prescribed under regulation forms an integral part of the Group's reporting procedures on Risk Management Systems. The process is detailed under section 3.4.6 of this report.

3.4.6 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is a continuous forward-looking process by which the Atlas Group, through an internal self-assessment, can assess all its present and prospective material risks and formulates its own required Economic Capital Requirements to mitigate these risks.

Article 45 of the Solvency II Directive states that as part of its risk-management system every insurance undertaking shall conduct its ORSA and that such shall include:

a) the overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the undertaking;
b) the compliance, on a continuous basis, with the regulatory capital requirements and with the requirements regarding technical provisions;
c) the significance with which the risk profile of the undertaking deviates from the assumptions underlying the SCR.

The directive also states that the ORSA shall be an integral part of the business strategy and shall be taken into account on an ongoing basis in the strategic decisions of the undertaking.

The purpose of the ORSA report is to record the ORSA and present the results of that assessment. This includes the following for the year under review:

a) Qualitative and quantitative results of the ORSA and the conclusions drawn from those results
b) Methods and assumptions used
c) Comparison between the overall solvency needs, the regulatory capital requirements and Atlas' own funds
d) The capital requirements positions under stressed scenarios, as defined and chosen yearly by the Board for the specific ORSA process under review
e) Sensitivity testing to identify potential vulnerabilities

The ORSA process produces a holistic enterprise-wide risk management evaluation and evidence of capital adequacy. It gives both the Board and senior management an effective tool to identify appropriate actions to influence the Group's risk profile and Economic Capital Requirements.

The process is steered by the Board and executed by the CRO with input from the Actuarial Function. It is repeated at least once annually and whenever there is a material business change or strategic plan considered in accordance with the Risk Management Policy.

3.4.7 Risk management strategies, objectives and processes

The ORSA is required to reflect the business strategy. Hence, when performing the ORSA, Atlas Group takes into account the business strategy and any strategic decisions influencing the risk situation, regulatory capital requirement as well as overall solvency needs. A key input is any material update to Atlas' 3-Year Rolling Strategic Plan. The Board needs to be aware of the implications that strategic decisions have and to consider whether these effects are desirable, affordable and feasible over the business planning period, also considering the quantity and quality of Atlas' own funds.

Any strategic or other major decisions that may materially affect the Atlas Group's risk or own funds' position therefore needs to be considered through the ORSA before such a decision is taken. This does not necessarily imply a full performance of the ORSA. Atlas Group considers how the output of the last assessment of the overall solvency needs would change if certain decisions were taken and how these decisions would affect the regulatory capital requirements.

Where the Group is relying on management processes, in particular systems and controls, in order to mitigate risks, it considers the effectiveness of those systems and controls in a stress situation.

3.5 Internal control system

The internal controls environment is an integral part of Atlas Group's Risk Management. It encompasses controls relating to key processes and aims to ensure compliance with current law as well as operational efficiency. The ultimate responsibility for the internal controls environment lies with the PCC's Board of Directors. However, all employees play a key role in maintaining and improving the control system as part of its first line of defence.

In the Group's second line of defence, the internal controls, risk management and compliance functions are supported, facilitated and reviewed by the Risk & Compliance Committee.

As per defined roles & responsibilities, Atlas Group's third line of defence includes the key function of the internal audit that provides the required independent assurance and challenge across all business functions in respect of integrity and effectiveness of the risk management framework and its internal controls.

The organisation's internal controls environment is founded on a culture of ethical behaviour and accountability of processes. Based on the Fit and Proper Policy, all the key functions, including other critical functions, are assessed in terms of competence and ethical standards. Each employee and each process owner contributes to the internal controls environment by fulfilling an ongoing control function through every day activity. The accountability profile of each employee includes the responsibility to "report systematically and promptly to senior management any perceived new risks or failures of existing control measures". The Board maintains a culture of openness within the Group to ensure employees report on potential threats and failures.

The Board of Directors sets the strategy for all the Group Companies and controls its implementation. The strategy is detailed in objectives, which are clear and measurable.

Additional internal control activities and monitoring mechanism include:

a) Internal controls and audit mechanisms per risk as described in the Risk Register
b) Intranet site documenting internal procedures and controls specific to each respective function and department
c) Risk Owner annual reports
d) Risk control calendar that is updated with any key controls that happen quarterly or less frequently
e) Risk events register
f) Quarterly Risk appetite status reporting

Compliance Function

Every authorised undertaking is required to identify an individual who will be responsible for ensuring adherence by the Group to all the requirements under the Act and under the Directive. Atlas Group has appointed for Compliance matters a Chief Risk and Compliance Officer as required under regulation. The compliance function plays a very important role in the Group's internal control processes with an emphasis on regulation. As previously stated this responsibility falls within the remit of the Group's Chief Risk and Compliance Officer.

The Group’s Risk and Compliance Officer makes use of the following internal control systems to ensure that the Company is abiding by all the Laws and Regulations:

- Compliance risk register
- Compliance Control Calendar
- Compliance Annual Reports received from the process owners
- Compliance Audits within the various departments by the Internal Auditor and followed by a Compliance/ Internal Audit Report
- Compliance Training Sessions
- Tied Insurance Intermediaries’ (TIIs) Audits conducted by the Branches and Intermediaries team and followed by a Compliance Audit report
- Tied Insurance Intermediaries’ Compliance Training Sessions
- Frequent updates on Compliance Matters to all Staff and Tied Intermediaries
- Drafting of various Guidelines made available to all Staff Tied Intermediaries
- Traffic Lights Reporting on compliance areas

3.6 Internal audit function

The Group Internal Auditor is responsible for conducting activities in accordance with international Internal Audit Standards and international best practices. For this purpose adherence to the Institute of Internal Auditors' (IIA) Code of Ethics, Standards for the Professional Practice of Internal Auditing and guidance position papers (as at January 2009 and October 2010), shall be construed as adherence to best International practices in the Internal Auditing field.

The Group Internal Auditor reports to the PCC's Audit Committee. For day-to-day operational purposes, liaison is with the PCC's Executive Directors and/or Chief Executive Officer.

The organisational status promotes the independence of the function as a whole and allows the internal auditor to form their judgment objectively. The internal audit function has free and unrestricted access to management, employees, activities, physical locations and to all information considered necessary for the proper execution of the Group Internal Auditor's work. The Internal Auditor directs audit resources in a manner that ensures the delivery of the Internal Audit plan that is prepared by end October of each year. The Group Internal Auditor has full and unrestrictive access to the audit committee.

In fulfilling his responsibility in accordance with the above, the Group Internal Auditor:

- generally assumes an advisory role in the design, installation and operation of control procedures. Established controls are reviewed periodically in order to assess their continued effectiveness and application;
- is fundamentally concerned with the evaluation of the Group's management of risk. Its role in this respect is to provide assurance to management that key risks are effectively being taken into consideration by the Group's Risk Management Framework. In providing assurance on risk, the Internal Auditor ensures that the latter's activities are in line with the IIA position papers (as at January 2009) on Enterprise-Wide Risk Management;
- reports diverging points of view with management and instances in which a request for access or response is not granted or provided in a reasonable time, format and manner to Senior Management and the Audit Committee;
- holds data and information obtained during the course of its audit activities with due care and the appropriate level of confidentiality. The Group Internal Auditor has the authority to grant, limit and restrict access to work papers and records;
- does not:
  - perform any operational duties for the organisation or its affiliates, and/or
  - initiate or approve accounting transactions external to the Internal Audit Function.
- co-ordinates the work with other internal functions and third parties that provide assurance on controls as a result of their activities. Generally, this includes the risk management and compliance functions within the Group and the external auditors and regulator/s as external parties.

3.7 Actuarial Function

Article 48 of the Solvency II Directive places the Actuarial Function on a statutory basis covering, inter alia:

- Skill sets required for those working within the Actuarial Function;
- Tasks & responsibilities assigned to the Actuarial Function;
- Actuarial Function interactions with other prescribed functions under Solvency II (Risk and Compliance Function, Finance Function, Internal Audit Function); and
- Prescribed outputs & reporting required from the Actuarial Function on an ongoing basis.

Atlas PCC is required to have an Actuarial Function. The Company's Board of Directors oversees that the Actuarial Function policy in place is adhered to. The policy is also extended to apply across the Group.

In accordance with EIOPA guidelines, Atlas Group requires the actuarial function to provide input as to whether the Group and the Solo Undertaking would comply continuously with EIOPA requirements regarding the calculation of technical provisions and identify potential risks arising from the uncertainties connected to this calculation. The tasks covered by the Actuarial Function include:

a) apply methodologies and procedures to assess the sufficiency of technical provisions and to ensure that their calculation is consistent with the requirements set out in Articles 75 to 86 of the Solvency II Directive;
b) assess the uncertainty associated with the estimates made in the calculation of technical provisions;
c) ensure that any limitations of data used to calculate technical provisions are properly dealt with;
d) ensure that the most appropriate approximations for the purposes of calculating the best estimate are used in cases referred to in Article 82 of the Solvency II Directive;
e) ensure that homogeneous risk groups of insurance and reinsurance obligations are identified for an appropriate assessment of the underlying risks;
f) consider relevant information provided by financial markets and generally available data on underwriting risks and ensure that it is integrated into the assessment of technical provisions;
g) compare and justify any material differences in the calculation of technical provisions from year to year; and
h) ensure that an appropriate assessment is provided of options and guarantees included in insurance and reinsurance contracts.

The Group's Actuarial Function is currently outsourced under an agreement with Strategic Risk Solutions Insurance Management Services Europe PCC Limited (SRS).

As Actuarial Function Holder, SRS are responsible to prepare the annual Actuarial Function Report, and to ensure that the results contained therein are accurate. The Certified Actuary remains Cherry Chan from Barnett Waddingham, UK, who is also supported by senior actuaries who run the valuation processes for the Group. Andrew Briffa has been appointed within Atlas to oversee the outsourced actuarial function.

Carrying out the tasks required of the Actuarial Function requires the application of expert judgement, including judgement on the choice of assumptions and methodologies adopted. Further detail of the methodologies and approach on these procedures are detailed under Section 5.3 of this report.

3.8 Outsourcing

Atlas Group oversees services provided to Group Companies by third parties on a continuous basis, which would otherwise be performed by the Atlas Group. The Group follows the Board approved Outsourcing policy.

Outsourcing of critical or important functions (key operational activities) is subject to particular oversight and approval by the regulator. Critical or Important Functions are fundamental activities of the firm, without which it would be unable to deliver its services to policyholders. Examples of such activities include pricing insurance products, investment management, claims handling, actuarial assessments and risk management. Any outsourcing agreement which could materially impact the performance or materially increase operational risk for Atlas Group would also be classified as material function.

Due Diligence

Before outsourcing any key or critical & important function, Atlas Group carries out a due diligence process on the service provider, irrespective of whether it is a supervised entity.

The due diligence process should assess:

1. the technical and financial ability of the service provider and its capacity to perform the outsourced function;
2. the internal control system of the service provider;
3. any conflicts of interest that may exist between Atlas Group and the service provider or arrangements with competitors;
4. track record;
5. reputation;
6. confidentiality/data protection concerns;
7. business continuity plans;

The results of the due diligence should enable Atlas Group to assess the level of risk it is facing as a result of the outsourcing. The due diligence exercise performed by the Group Companies and its outcome are documented to enable subsequent review at any time.

Approval and Monitoring

Outsourcing of key or critical/important functions is approved by the Board. Other outsourced functions can be approved by the CEO of the relevant Group Company.

Approval is based on a business case specifying the scope and content of the outsourced function, the related costs and potential risks to the firm. The Board shall only grant approval of critical/important functions if it deems the governance requirements defined in this Outsourcing Policy are fulfilled.

The Compliance function maintains a Register of outsourced functions. A list of all outsourced functions is presented once a year to the Board through the Atlas Group's Risk and Compliance Committee. The Board reviews on a yearly basis whether the governance criteria and economic rationale for existing agreements are still met.

Control

As Atlas Group remains fully responsible for all outsourced functions and activities it needs to include in its risk management systems and controls a process for monitoring and reviewing the quality of the service provided.

The Function Owners as identified within the 'Register of Outsourced Functions' are the persons responsible for overseeing and controlling the outsourced activities in terms of risks and performance. Such persons must monitor and review the service providers on an on-going basis and ensure the functions under their control are performed in accordance with the agreed terms. On a yearly basis, the Function Owners confirm to the Group Chief Risk and Compliance Officer that the terms of the outsourcing agreements are actually being adhered to by the providers of the outsourced functions.

3.9 Any other information

The Atlas Group and the PCC follow all requirements of Directive 2009/138/EC (Solvency II Directive) and the Commission Delegated Regulation (EU) 2015/35. All governance structures in place as defined under this section also apply the principle of proportionality related to its business nature, scale and complexity of the risks attaching to its operations.

Furthermore the Company applies all governance procedures to the PCC as a whole, but also to its individual Cells incorporated within the PCC.

4. Risk profile

Atlas takes and manages risks to achieve its objectives. Risk is accepted as a potential cost of being open for new business, and servicing existing business. The cost of controlling all risks to a "minimal" level could easily outweigh any benefits derived from reducing the cost of risk events. The Company does accept some volatility in operational profit in order to generate profits over the long term.

The risk profile of the Group is defined by the Risk Appetite Statement and approved risk tolerance limits. Risk Appetite is the expression of the level of risk to be pursued (propensity to take risk), the maximum level of risk to be tolerated in pursuit of the Group's objectives (propensity to exercise control) and the level of risk that is unacceptable, as defined by the Board of Directors and Senior Management. Risk appetite reflects the Company's willingness to take on risk as derived from its capacity to bear risk and the philosophy and attitude toward risk taking. Atlas' philosophy, guiding principles and approach to Enterprise Risk Management is described in its Risk Management Policy. Its objectives include achieving target performance and maximising shareholder value, preserving a level of solvency that would support the Company in challenging environments, maintaining adequate liquidity to satisfy obligations as they come due, and protecting all aspects of the Group's value, including its brand and reputation.

Underlying Atlas' risk appetite are risk tolerances, high-level quantitative measures and qualitative assertions for the maximum risk allowed, set at corporate level and in line with the needs of its stakeholders. At the highest level, they are intended to assure that the undertakings maximise the likelihood of delivering on set missions, strategies and objectives.

To the extent pragmatically possible, the framework is based on quantitative risk measures. Qualitative risk measures are also used as applicable for risks that are difficult and not practical to quantify.

COVID-19 Pandemic

Whilst still early to assess, there is likely to be increased exposures to market, credit and liquidity risks as a result of the pandemic. Investment markets are likely to be hard hit by the potential global recession and likewise the economic outlook is likely to create supply chain issues as a result of liquidity constraints. The impact on business and performance as a result of possible reduced consumption could also impact underwriting risk. However, in the latter, exposures are likely to be offsetting across different LoBs and the impact is not expected to be significant. Operational risk is likely to increase as a result of the effects of employees working remotely, however Atlas's response team is monitoring key processes on a daily basis to ensure controls are in place to mitigate against potential operational and cyber risk as a result working remotely for a prolonged period of time.

In respect of the cells, it is expected that the impact on business and performance due to possible reduced business volumes would impact the level of underwriting risk. Only Amplifon and Perfecthome cells have investment assets which may be hit by the impact of the potential global recession on investment markets. All the cells however could face liquidity constraints due to supply chain issues. As is being done for the core, mitigating factors to reduce the impact of liquidity risk are being identified and put in place.

4.1 Underwriting risk

The PCC through its Core and Cells issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the PCC defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

4.1.1 Insurance contracts - general business

The results for direct business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(i) Premiums earned relate to business incepted during the year together with any differences between the booked premiums for prior years and thus previously accrued, less cancellations.

(ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(iii) Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. These are capitalised and are shown as deferred acquisition costs ("DAC") in the balance sheet. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred.

(iv) Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(v) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the PCC. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The PCC takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the PCC and statistical analyses for the claims incurred but not reported. The PCC does not discount its liabilities for unpaid claims.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the PCC, where more information about the claim event is generally available.

(vi) Provision in the form of an unexpired risk provision will be made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

4.1.2 Reinsurance contracts held

Contracts entered into by the PCC with reinsurers under which the PCC is compensated for losses on one or more contracts issued by the PCC and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the PCC under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the PCC is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified within reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense on an accruals basis.

The PCC assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the PCC reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account. The PCC gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

4.1.3 Receivables and payables

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders.

If there is objective evidence that an insurance receivable is impaired, the PCC reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account. The PCC gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

4.1.4 Management of insurance risk

The risk under any one insurance contract is the uncertainty of whether the insured will sustain the contingency insured against. If that happens, then further uncertainty lies in how many times this can happen and how much it will cost, i.e. the frequency and severity of resultant claims.

Insurance risk is by its nature random and unpredictable. Consequently the Company writes portfolios of risk with the intention of taking refuge within the theory of probability (large numbers) and thus being able to correctly construct pricing of its insurance contracts.

The risk the Company faces however remains that actual claims incurred exceed the amounts of such provisions since the frequency and severity incurred exceed the estimated ones.

Insurance events, due to their random nature, can vary in severity and frequency from year to year. However the larger the portfolio involved, the lower the deviation from estimates which is why the Company endeavours to acquire growth in areas of insurance risk which it deems attractive.

Another method used to mitigate random deviations is that of diversification in portfolio characteristics. Atlas Insurance PCC Limited is not unduly dependant on one class or sector of business and in fact is deemed to be privileged with a balanced mix of various classes of Motor, Liability, Marine, Miscellaneous Accident, Property and Travel and Personal Accident. In the coming year Private Medical Insurance will be also be added. Furthermore, the Company's portfolio is evenly spread between personal lines and commercial lines business.

The Company has a rather even geographical spread of property risks within the Maltese isles and is well spread among the various sectors of commerce e.g. tourism and hotel accommodation; manufacture; services and it is not unduly dependent on one sector alone.

Once again this diversification ensures that the type and amount of risks presented are spread out without there being undue concentrations in one area alone.

During the year the Company did not license any new cells but Gemini Cell, L'Amie Cell, PerfectHome Cell, Ocado Cell, Amplifon Cell (in run-off) and TVIS Cell carried on business during the year in accordance with their licence conditions.

PerfectHome Cell however ceased writing new business as of the second quarter of 2019 and is planning to be unwound in 2020 and Ocado Cell did not write new business in 2019.

While retaining its traditional market in Belgium and the Netherlands, new business opportunities in late 2019 led to Gemini Cell writing business in France, Germany, Italy, Malta, Portugal, Spain, the UK, Sweden and Austria.

L'Amie Cell remains active with its Austrian and Bulgarian direct portfolio but also started writing direct business in Slovenia. Inwards reinsurance from Macedonia was added to that from Serbia. The cell also started writing Travel business and extended its licence to include the relevant classes.
The other cells are licensed to write property, accident, sickness, motor, general liability and motor liability and miscellaneous financial risks in the United Kingdom. The property risks are equally well-spread geographically.

Frequency and severity of claims

Motor and liability

The danger is that competition restrains average premium growth while the frequency and severity of claims may be seriously affected by:

(i) the long lifetime which motor and other liability claims tend to have and which can lead to negative effects of inflation on claim amounts;

(ii) changes in traffic management and density and the increased presence of more vulnerable road users;

(iii) increased court awards arising from increased sensitivity of courts to the plight of accident victims spurred also by EU directives and "pro-victim" court/legislative tendencies in other EU jurisdictions; and

(iv) increased responsibilities of employers and business owners in the light of health and safety and consumer legislation; and

(v) the latent effect of disease claims on the employers liability and products liability portfolio

(vi) the effect of inflation on motor repair costs

(vii) the effect of natural hazards affecting comprehensive motor results.

The Company's gross motor performance mirrored the improved result of 2018.

The review of Maltese law on civil damages in tort remains un-concluded while legal judgements remain relatively consistent.

Property

The gross property result was impacted by an exceptional single claim late in the year but also by the severe windstorm that hit Malta in late February 2019. The effects of the events were very much mitigated by reinsurance.

Miscellaneous accident, and personal accident and travel

The nature of claims on Money, Glass, Goods in Transit and Fidelity relate very much to the prevalence of crime in Malta and 2019 showed no extraordinary experience in this respect.

Marine

Overall marine performance in 2019 experienced a marked improvement driven mostly by improved hull results notwithstanding the windstorm in February.

Miscellaneous Financial Risk

Risk carried by the Company and managed under this class of business did not materially impact the results of the Company and the risk profiles do not pose any threat to the Company's core capital.

Health

The full impact of the health account was included in 2019 results were within the expected parameters.

The Company manages all the above via:

(a) underwriting strategy,
(b) adequate reinsurance arrangements, and
(c) proactive claims handling

Underwriting strategy

The Company follows strict risk acceptance selection processes and only accepts risks that possess characteristics which the Company feels will lead to low or average frequency and severity of losses. These criteria apply across all classes and for this purpose the Company uses underwriting guidelines and sets limits on the overall retention of the risks it writes.

The Company inserts certain exclusions in its contracts to enforce underwriting criteria. For example, in the context of liability exposures, the Company applies asbestos liabilities exclusions on all liability policies.

The Company closely scrutinises the business activities of its client base to determine any undue exposure to long-term industrial disease claims and to assist in this process and that of analysing other potential exposures, the Company views several property, accident and liability risks first hand via its policy of risk surveying (in-house and external).

The Company also has a regular renewal analysis and reserves the right to reassess each contract based on its claims experience and any other changes in material information. The majority of the marine cargo account is based on open covers. Thorough controls on each marine open cover are carried out regularly ensuring that performance is acceptable.

Malta's storm and flood exposure is localised in particular areas of flash flood exposure. With the Company's pre-risk survey strategy and with the added knowledge of flood-prone areas, the Company filters the incoming new business portfolio or alternatively manages the risk of storm. The company is also conscious of the susceptibility of certain locations to windstorm and endeavours to limit shoreline exposures.

The Company, as a standard, applies limits on all motor and liability policies. The only area of unlimited liability is that of Motor EU use (in line with legislation in certain EU countries). The Company's internal underwriting authority limits mean that authority to bind is delegated in a controlled manner. The Company's branches likewise follow and are subject to specific underwriting limitations beyond which they must seek head office approval.

The risks underwritten by the Company may also be in the form of reinsurance contracts issued on a proportional basis whereby it assumes a portion of the risk which the ceding insurance undertakings undertake with their direct clients.

(b) Reinsurance

The Company places its reinsurance programme with overseas reinsurers who all meet the financial approval of the local regulator. It is generally the Company's policy for reinsurance to be placed in the Lloyd's market or with listed multinational reinsurance companies whose credit rating is not less than A-. The portfolio programme is a mix of proportional and non-proportional protection which also includes protection from industrial disease losses incurred but not reported during the years prior to the portfolio transfers in 2004 and 2005 from AXA Insurance plc to the Company.

The Company's decision on the type of reinsurance obtained, the level of retention and the width of cover are recommended by the Company's own technical personnel in collaboration with overseas consultants and the board of directors approves the reinsurance programme on an annual basis.
The effectiveness of reinsurance protection in place for the Company has worked towards reducing the impact of net retained losses for the year by the Company.

(c) Claims techniques

Reported claims are handled and reserved on a claim-by-claim basis. The Company employs in-house specialised claims personnel. In addition to having in place authority levels for its staff to negotiate claims, it also employs a panel of external loss adjusters and technical experts who are regularly utilised in the Company's quest for sound and equitable claim handling.

The Company has a policy of analysing claims progressions and thus determines if reserving policies adopted in the past have been successful. This procedure has pre-dated the setting up of the Company as an underwriter and the Company in fact tracks claims which were incurred in years during which the Company formerly acted as an agent for overseas principals.

The Company actively pursues early settlement of all claims to reduce exposure to unpredictable developments and equally the Company maintains a proactive system that ensures that timely action is taken on all claims and reviews are carried out when required. This is particularly important in the context of motor and liability claims. In the context of reserving active use is made of a panel of legal advisors and full acquaintance is made with courtroom developments by our specialist claims team headed by the claims director.

Owing to the fact that liability claims are normally payable on a *claims occurrence* basis, a claim is payable if the accident occurred in the year of insurance even if the damage is manifest long afterwards. This is accentuated in the context of employers' liability claims where cover is provided on a loss *caused* basis. Therefore not only can known liability claims take longer to be settled owing to lengthy court proceedings and the like, but claims can take long to be registered. This is why claims outstanding provisions for known claims must be adequately increased by a provision for IBNR (incurred but not reported) claims.

Therefore when estimating the cost due to be paid in future the Company looks at:

(i) the monetary provision necessary for pending non-liability claims based on the latest available facts and estimates

(ii) the monetary provision for the future payment of claims for bodily injuries to employees or third party victims of accidents. This is based on the accepted basis of:

> (a) loss of future earnings as a result of disability percentages along with estimated rehabilitation expenses;
> (b) an element of direct damages; and
> (c) costs of settlement including legal and other fees and court expenses; and

to the above provisions for known reported claims, the Company adds an IBNR provision.

The Company also makes a provision for the unexpired period of cover of policies running at the time of the balance sheet date.

Large claims are also assessed on a case-by-case basis, and Atlas takes a prudent approach to determining outstanding reserves based on legal precedent (of particular relevance to motor and liability class) and similar cases. The Company also notes current trends.

The Company takes care to ensure it is in possession of knowledge on all bodily injury claims notified and carries out active reviews of the larger/more serious bodily injury cases on motor and liability classes.

IBNR reserves are determined using the historical actual development of incurred claims and IBNR levels are expressed as a proportion of claims outstanding by individual class in order to have an ongoing level of IBNR reserves. Such percentages are reassessed annually.

Uncertainty on the estimation of claim payments on property classes is considerably lower than that on motor and liability classes. The same can be said of personal accident, travel and miscellaneous accident. Uncertainty in general is reduced by ensuring thorough knowledge of the circumstances and extent of losses reported; and through the use of medical and loss assessors and adjusters to ensure correct reserving.

A high degree of certainty on marine claims is achieved via collection of survey evidence and value documentation.

4.2 Financial risk

Atlas is exposed to financial risk through its financial assets and liabilities, reinsurance assets and insurance liabilities. The key financial risk is that the proceeds from its financial assets would not be sufficient to fund the obligations arising from its insurance contracts and investing activity. The most important components of the PCC's financial risk are market risk, credit risk and liquidity risk identifying the following areas:

- cash flow and fair value interest rate risk,
- equity price risk;
- currency risk
- credit risk; and
- liquidity risk.

These risks mainly arise on open positions in interest rate, debt and equity products, and currency exposures, which are all subject to market movements.

The Company's financial risk management and investment strategy reflects its profile of liabilities to ensure that sufficient assets of appropriate nature, term and liquidity enable it to meet the liabilities as they become due.

4.2.1 Market risk

The PCC is exposed to market risk and mitigates exposures by implementing controls for interest rate risk, equity risk, property risk, spread risk and currency risk.

Interest Rate risk

In general the PCC is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Financial instruments issued at variable rates expose the Atlas to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Company to fair value interest rate risk. The PCC holds investments mostly in equity and debt securities. Debt securities are subject to interest rate risk.

Fair value interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the Company's asset allocation policy limits the amount of investment in any one asset or towards any one counterparty.

Bank and other borrowing facilities are not commonly availed of and the directors traditionally sanction the use of such facilities for short-term operational cash flow bridging as and when the requirement arises. The exposure to interest rate risk in respect of borrowings is accordingly not material.

Deposits with banks or financial institutions potentially expose the PCC to fair value interest rate risk. However, since these instruments are not fair valued, a change in interest rates will not have an effect on profit or loss or other comprehensive income. Cash at bank subject to floating interest rates expose the Company to cash flow interest rate risk.

The PCC carries out sensitivity analyses for interest rate risk which illustrate how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

At 31 December 2019 the Company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities.

Up to the end of the reporting period the PCC did not have any hedging policy with respect to interest rate risk on other financial instruments as exposure to such risks was not deemed to be significant by the directors.

Equity risk

The Company is exposed to market price risk on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments. The PCC reduces this risk by diversifying its investments in different countries and in different sectors.

The Company's investment portfolio is overseen by the Investment Committee that meets on a regular basis in order to review the position of its investments and to plan its investment strategy in accordance with established guidelines. Investment decisions are taken on the basis of an Investment Policy approved by the Board. The Investment Policy includes benchmarks and guidelines on various aspects of portfolio management, including currency, instrument, rating, localisation, concentration and maturity. It is periodically reviewed by the Investment Committee and, subject to Board approval, amended as necessary so as to reflect the PCC's overall investment objective, which is principally the preservation of capital and liabilities.

Property Risk

Atlas is exposed to property risk and this risk only affects the group and core with practically the entire balance sheet values of Tangible Assets – Land, Buildings & Improvements and Investments – Land & Buildings pertaining to the Solo Undertaking.

The PCC's property used in operations and investment property was revalued during 2019 based on professional independent valuations.

The property is valued on periodic valuation by the directors after seeking professional advice from independent professionally qualified valuers who hold a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued. When external valuations are carried out in accordance with this policy, the valuer reports directly to the board of directors and discussions on the valuation technique and its results, including an evaluation of the inputs to the valuation, are held between these parties.

At the end of every reporting period during which an external valuation is not carried out, the directors also assess whether any significant changes in actual circumstances and developments have been experienced since the last external valuation. An adjustment to the carrying amount of the property is only reflected if it has been determined that there has been significant change. The Directors do not consider that there has been a change since the last valuation position.

Currency risk

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. The PCC may experience losses arising from a decrease in values of its assets held in foreign currency or an increase in value of its technical reserves denominated in foreign currencies. The board of directors implements a policy of currency matching rules thus minimising the Company's exposure to such risk.

As the Core's net technical provision reserves arising from its operations are largely denominated in Euro due to the fact that the net contingent value of its policies are written in euro, or naturally hedged in their original currency, the funds covering such liabilities are largely invested in euro instruments.

Similarly, in managing its cells, the PCC applies the same currency matching policy by identifying the currency in which cellular technical provisions arise and as such administers a balance of matched assets with a natural hedge. The standard formula under S II is not sensitive to this "natural hedge" and on that basis, the Cells operating in a currency other than Euro which is the capital denominating cellular incorporation under the Companies Act, requires that a "shock" margin of capital is maintained to mitigate this inexistent risk.

In an effort to maximise return on investment the Board directs its investments committees to prudently apply a certain degree of flexibility which is limited to the extent of not compromising the Group's financial strength in matching its liabilities, primarily its insurance technical provisions.

4.2.2 Credit risk

Atlas is exposed to credit risk, that risk of loss due to a counterparty being unable to pay amounts in full when due. The following are the areas where credit risk is identified:

(i) reinsurers' share of insurance technical provisions;
(ii) amounts due from reinsurers in respect of claims already paid;
(iii) amounts due from insurance contract holders;
(iv) amounts due from insurance intermediaries; and
(v) investments and cash and cash equivalents.

Limits of authority and segregation of duties in the granting of credit are in place to maintain objectivity, independence and control over new and existing lending exposures.

The credit risk management team assesses the creditworthiness of all reinsurers, intermediaries and customers by using credit grade references provided by rating agencies, and other publicly available financial information. Where this information is not available, detailed analysis is carried out by investigating both financial strength and market repute. The Company experiences a low level of bad debts and concentration of credit risk with respect to debts is limited due to the large number of customers comprising the Group's debtor base.

Routine reviews of payment history and the status of any ongoing negotiations with counterparties is carried out by the credit risk management in order to detect any deterioration in the creditworthiness of individual counterparties.

While reinsurance is used to manage insurance risk, this does not discharge the PCC's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the PCC remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by the directors on an ongoing basis by reviewing their financial strength within the terms of their credit ratings.

Atlas is also exposed to credit risk for its investments and its cash at bank. The PCC's cash is placed with quality financial institutions. Credit risk in respect of investments is not considered by the directors to be significant in view of the credit standing of the issuers.

The Investment Committee takes account of the credit risk inherent in the PCC's investment portfolio by adopting similar cautious practices in identifying investment opportunities and monitoring portfolio performance. The investment instruments acquired are highly rated by the internationally-renowned credit rating agencies like Moody's and Standard and Poor's.

The policy adopted by the investment committee is that of directing most of the funds available for investment to A-rated securities and deposits. There are certain instances whereby the committee may opt for placing these funds in B-rated securities only once the circumstances of such an opportunity are fully assessed and are beneficial to the performance of the investment portfolio.

Credit risk in relation to cells is not considered to be significant as a substantial amount of the receivables is due from related parties.

4.2.3 Liquidity risk

The Company's exposure to liquidity risk arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The directors do not consider this risk as significant given the nature of the PCC's financial assets and liabilities. Atlas' financial assets are considered to be readily realisable as they consist of local and foreign securities listed on recognised stock markets and deposits held with first-class-rated credit institutions. Moreover, the PCC ensures that a reasonable level of funds is available at any point in time for unexpected large claims and in this case Atlas may also resort to an overdraft facility which provides a short-term means of finance.

4.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Company identifies in the Risk Register the following risk items:

- **Strategic Risk - Market Environment** - includes possible recession in Maltese or world economy, more aggressive competition and other changes in the insurance business environment including new entrants, changing distribution models or loss of intermediaries
- **Strategic Risk - Lack of Innovation** - Failure to positively and effectively change in a way that adds value, leading to missed opportunities, loss of market share and/or higher costs than necessary.
- **Compliance** - Failure to comply with or changes to legislation and regulations.
- **Reputation -** Whilst reputational risk is associated with events in one or more of the other risk categories, the Atlas group risk register seeks to call this risk out as a separate category. This risk is the result of operational shortcomings or bad conduct, and therefore a reputational loss is looked at as a multiplier that makes other risk events much more costly than they otherwise would be. Atlas seeks to identify and implement distinct controls addressing the underlying problem and also addressing any reputational consequences.
- **Key infrastructure** - Failure or loss of key infrastructure other than IT, Telecommunication or Power outage. Includes losses of infrastructure due to earthquake, storm, fire or construction/property related accidents
- **BCP Failure** - Failure of Disaster Recovery Plan or Business Continuity Plan whether due to a narrow scope, lack of testing or otherwise ineffectiveness
- **Data Quality** - Inaccurate, incomplete or inappropriate data in data collection, processing or reporting.
- **Loss of Physical Data** - includes both loss of individual files or archive boxes and larger losses of physical files due to events such as fire, flooding, damp, vermin or malicious damage
- **Loss of Electronic Data** - loss of live database or backups whether due to internal error, program error, sabotage or viruses
- **Cyber Risk** – Data theft, breaches or leakages due to external attacks and increased exposures from global connectivity and increasing use of cloud services.
- **External Financial Fraud** - Primarily includes claim fraud but also other types of external financial fraud that could arise through the use of third party suppliers.
- **Internal Financial Fraud** - Includes misappropriation of cash
- **IT/Communication Outage -** Unavailability of IT systems
- **Loss of Electronic Power**
- Management of Cells – This allows for the risks associated with incorrect risk assessment of cells at engagement level and resource allocation costs at pre engagement stage. Also covers higher than expected resource allocation costs as a result of incorrect pricing of cell fees. Operational risk associated with the operations of the cells themselves are covered by the operational risk assessments at cell level.
- **Loss of staff** - Loss of key staff following accident, catastrophe, competitive poaching, lack of motivation, etc. This includes risks related to succession planning, inappropriate allocation of responsibilities, failure to appropriately develop people and inappropriate reward structure. In respect of cells this includes outsourced staff.
- **Distribution Network (TIIs, Branches, Front line Staff)** – Whilst negligence or breach of instructions by staff remains a sub-risk of compliance, a separate operational risk category for the distribution network was introduced in the 2019 annual review and a new risk owner responsible for the distribution as assigned.

- **Outsourcing** – Primarily agreement breaches or inability to continue providing the outsourced service.
- **Theft, H&S** - Health and safety of employees and risks of theft or holdup.

Operational Risk can be challenging to quantify. EIOPA recognises this and the standard formula in effect assesses Operational Risk as a function of premium and technical provisions and therefore is not particularly risk sensitive. For the purposes of determining the operational risk charge under the Economic Capital Requirement, Atlas bases the assessment on the Risk Register. The approach that Atlas adopts is to determine worst case costs for each of the risk categories defined above, through reference of own experience of operational risk events and/or the application of expert judgement on possible loss scenarios.

4.4 Other material risk

Cellular Solvency Capital Deficit Risk

In line with EU regulations, EIOPA guidelines on ring fenced funds and MFSA's Guidance Note on solvency requirements in relation to PCCs, other than for cells with a non-recourse provision, cells would be allowed to be in deficit on capital requirements so long as there are sufficient unrestricted surplus funds in the PCC Core and in the Group to meet such cellular deficits.

Regulations correctly do not allow for consideration of any surplus funds in cells when calculating the solvency position of the PCC as a whole, since such funds can only be used in respect of the specific cell to which the funds appertain. Regulations also do not allow for any diversification benefits to accrue between the Cells and the Core.

4.5 Any other information

Atlas diversifies its operations with an end to minimise risks that may threaten the financial stability of the Group and its stakeholders.

Mitigation of risk ranks highly in priority in all the various Board of Directors business within the PCC as evidenced throughout this report. The key highlights for mitigating the risks identified are:

- A diversified and balanced insurance risk portfolio;
- Diversification in its operations taking opportunity of the leading regulatory positioning of Malta as a primary financial services provider within the European Union;
- Prudent application of risk management techniques and risk mitigation policies;
- Absolute prudence applied through its investment policy and strategy for its asset base;
- Investment in its human resources for their personal development through both external and in-house training of staff;
- The reserving of capital that goes beyond the regulatory driven requirement. This financial strategy is further enhanced through the Group's detailed ORSA which reviews and promotes the use of "economic capital" in matching all risks.

Both reporting processes for the PCC under insurance regulation and financial requirements set under the Company's Act are complete. All insurance technical contingent liabilities are recognised under the Solo Undertakings reporting of technical provisions and more than adequately reserved as reported in the Balance Sheets reproduced in this report. Furthermore all other contingent liabilities are disclosed in the PCC's financial statements for the year under review as evidenced by the external auditor report attaching to the respective financial statements.

5. Valuation of assets and liabilities for solvency purposes

The financial statements of Atlas Insurance PCC Limited are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as modified by Article 174 of the Maltese Companies Act, (Cap 386) and in accordance with the requirements of the said Act and the requirements of the Maltese Insurance Business Act, 1998. As such they are prepared under the historical cost convention as modified by the fair valuation of Land and buildings. Investment property, Land and buildings – property, plant and equipment, and financial assets are recognised at fair value through profit or loss.

Assets and liabilities under Solvency II are valued in accordance with the SII Directive and the Commission Delegated Regulation 2015/35. Article 75 of Directive 2009/138/EC requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the risk-based approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

The PCC is required to report on such valuations. In the following subsections you will see the Company reporting its PCC financial positions on a PCC aggregate basis, the Core and separate aggregate Cellular positions. The Amplifon Cell is also reported separately and is not included in the Cells' aggregate position due to the fact that the Cell does not have recourse to the Core Capital.

Therefore all financial information being reproduced is reported for:

- The PCC aggregate;
- The Core;
- The Amplifon Cell;
- Other Cells.

COVID-19 Pandemic

As stated in the previous section, the Company's investment asset portfolio is likely to be significantly impacted as a result of the potential global recession due to COVID-19. Atlas has in the past carried out stress and scenario testing on its investments and assessed the impact this will have on its financial projections. When considering stress and scenario testing carried out as part of the Company's ORSA (Own Risk Solvency Assessment) process on its market and capital positions, the directors consider that Atlas is able to withstand a potential longer term adverse impact on its assets. Whilst as at 31 March 2020, the Company reports a 9% diminution in the value of its financial assets, it is also the Company's understanding that this situation is currently fluid and expects that markets will recover once the current situation ameliorates, with asset values rebounding.

This assessment also captures the estimated impact on underlying insurance operations by line of business, including the potential for reduced premium or increased claims exposure for certain lines of business at the same time contemplating offsetting factors, such as likely reduced claims frequency in other lines of business. Atlas further considers that the current high grade quality of its reinsurance panel protects the Company from material exposure in this regard, although downgrading of reinsurers cannot be excluded

The Directors' assessment has primarily focused on the Core's business in light of the nature of the cells' operations and assets, which are expected to be less affected.

5.1 Assets

The total assets reported in the PCC's balance sheet are reproduced below for the PCC and for separate components being the Core, the Amplifon Cell and the aggregate for other Cells

The following Asset Table represents the aggregated total assets for the PCC as a whole as recognised under IFRS and those as recognised in accordance with Solvency II regulation.

PCC Aggregate in Euro '000 **Assets**	**IFRS**	**2019** **Solvency II Adjustment**	**Solvency II value**	2018 Solvency II value
Deferred acquisition costs	2,316	-2,316	**0**	0
Intangible assets	1	-1	**0**	0
Deferred tax assets	0	179	**179**	222
Property, plant & equipment held for own use	8,641	0	**8,641**	6,100
Investments (other than assets held for index-				
Property (other than for own use)	11,221	0	**11,221**	5,746
Holdings in related undertakings, including partic	1,127	0	**1,127**	752
Equities				
Equities - listed	4,846	4,843	**9,689**	11,865
Equities - unlisted	0	2,635	**2,635**	
Bonds				
Government Bonds	343	3,266	**3,609**	2,790
Corporate Bonds	8,072	9,161	**17,233**	15,186
Collective Investments Undertakings	24,923	-19,665	**5,258**	5,189
Deposits other than cash equivalents	369	2	**371**	371
Loans and mortgages				
Other loans and mortgages	778	0	**778**	0
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	33,515	-16,907	**16,608**	9,106
Health similar to non-life	2	2,977	**2,979**	60
Deposits to cedants	125	0	**125**	364
Insurance and intermediaries receivables	20,186	-15,400	**4,786**	4,336
Re-Insurance receivables	255	-255	**0**	18
Receivables (trade, not insurance)	4,544	-241	**4,304**	4,189
Cash and cash equivalents	14,171	0	**14,171**	19,776
Total assets	135,436	-31,723	**103,712**	86,071

You will note that adjustments are carried to IFRS values in arriving at Solvency II Balance Sheet values. The following are the explanations for the movements arising therefrom which result in a reduction in total assets held for the PCC of €31.72 million (€23.10 million for 2018).

Deferred Acquisition Costs

Deferred acquisition costs, which are recognised under IFRS as being a cost carried forward in the Balance Sheet for the future earning of premium, have been removed in total from the asset base as these are considered in arriving at the best estimate valuations for technical provisions. As such the asset does not carry any value within the Solvency II asset base of the Core and its Cells.

Intangible Assets

For the Solvency II balance sheet the intangible asset values recognised under IFRS are also removed. The IFRS assets are recognised for goodwill (value for business acquired which is impaired in accordance with IFRS) and computer software (depreciated in accordance with IFRS rules). The goodwill recognised in the Group's books does not meet the requirements for Solvency II valuation purpose. This regulation also requires that any intangible asset other than goodwill must carry a value equal to its resale value. The Atlas Group does not consider any resale value for its computer software.

Deferred Tax Asset

Please see note under subsection 5.2.2 "Deferred Tax Liabilities".

Bonds

Fixed income securities are reported in the IFRS balance sheet at fair value to profit and loss. For the purpose of Solvency II balance sheet valuation accrued income has been added to such fair value. This accounts for the increase in Solvency II balance sheet values.

The exposures to fixed income securities reported for the Atlas Group are equal to those reported for the PCC. The incorporated cells within the PCC do not carry any such exposures.

Collective Investment Undertakings

Collective investment undertakings (funds) are reported in the IFRS balance sheet at fair value to profit and loss. Solvency II regulations allow for a "look through" procedure where the funds' securities are identified and reclassified according to their nature and valued accordingly.

Reinsurance Recoverables

According to the Atlas Reinsurance Policy, all reinsurers require a minimum S&P credit rating of A- (or equivalent) other than for specific risks locally placed with Maltese authorised reinsurance companies. This is consistent with the Risk Appetite which has an appetite of A and a floor of A-. Lower or unrated reinsurers may be used if agreed by both the Chief Underwriting Officer and Chief Executive Officer provided the board is notified at the next available board meeting. All of the reinsurers on the in force treaties comply with this requirement.

Reinsurance recoverables from such reinsurers have a direct relationship with the gross technical provisions shown in the liabilities section of the balance sheet and arise as a direct consequence of the valuations of such technical provisions reserved in the balance sheet. As such the reduction in recoverables for Solvency II valuations follows the modelling of "Best Estimate" calculations carried out on the gross technical provisions in accordance with the different reinsurance treaties in place. Please see notes under subsection 5.2.1.

Insurance and Intermediaries Receivables

Atlas operates its insurance underwriting either on a direct line of business with negotiation carried out with its policy holders on a direct basis or through a network of intermediaries. This gives rise to timing differences for the collection of premium. These balances under Solvency II are considered to be future cash flows and therefore reclassified to technical provisions in the calculation of "best estimate" values for such provisions. IFRS valuation considers fair value for the amounts receivable. The adjustment to technical provisions is shown in the above table.

Receivables (trade, not insurance)

Receivables which are not classified as insurance receivables include accrued income and prepayments under IFRS valuations. For the purpose of Solvency II valuation the amount of accrued income arising from interest to be earned on fixed income securities is reclassified to the fair value for such securities.

The following Asset Tables highlight the Balance Sheet movements of the PCC components as explained above.

PCC Core in Euro '000 Assets	IFRS	2019 Solvency II Adjustment	Solvency II value	2018 Solvency II value
Deferred acquisition costs	1,714	-1,714	**0**	0
Intangible assets	1	-1	**0**	0
Property, plant & equipment held for own use	8,641	0	**8,641**	6,100
Investments (other than assets held for index-linked and unit-linked				
Property (other than for own use)	11,221	0	**11,221**	5,746
Holdings in related undertakings, including participations	1,127	0	**1,127**	752
Equities				
Equities - listed	4,846	4,843	**9,689**	11,865
Equities - unlisted	0	2,635	**2,635**	0
Bonds				
Government Bonds	343	3,266	**3,609**	2,790
Corporate Bonds	8,072	9,161	**17,233**	15,186
Collective Investments Undertakings	19,665	-19,665	**0**	0
Deposits other than cash equivalents	369	2	**371**	371
Loans and mortgages				
Other loans and mortgages	778	0	**778**	0
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	23,098	-7,806	**15,292**	10,679
Health similar to non-life	2	2,976	**2,978**	60
Insurance and intermediaries receivables	4,411	-1,718	**2,693**	2,607
Re-Insurance receivables	255	-255	**0**	18
Receivables (trade, not insurance)	810	-240	**570**	644
Cash and cash equivalents	3,108	0	**3,108**	4,575
Total assets	88,462	-8,517	**79,945**	61,394

Amplifon Cell Euro '000 Assets	IFRS	2019 Solvency II Adjustment	Solvency II value	2018 Solvency II value
Deferred acquisition costs	49	-49	**0**	0
Collective Investments Undertakings	3,642	0	**3,642**	3,663
Deposits to cedants	125	0	**125**	364
Insurance and intermediaries receivables	127	0	**127**	0
Cash and cash equivalents	1,376	0	**1,376**	5,167
Total assets	5,319	-49	**5,270**	9,194

Other Cells Euro '000 Assets	IFRS	2019 Solvency II Adjustment	Solvency II value	2018 Solvency II value
Deferred acquisition costs	554	-554	**0**	0
Deferred tax assets	0	179	**179**	222
Investments (other than assets held for index-linked and unit-linked contracts)				
Collective Investments Undertakings	1,616	0	**1,616**	1,526
Reinsurance Recoverables - Non-life excluding health	10,416	-9,101	**1,315**	-1,574
Insurance and intermediaries receivables	15,649	-13,682	**1,967**	1,729
Receivables (trade, not insurance)	3,734	0	**3,733**	3,545
Cash and cash equivalents	9,686	0	**9,686**	10,035
Total assets	41,654	-23,157	**18,496**	15,484

5.2 Total liabilities

The following Liabilities Table represents the aggregated total liabilities for the PCC as a whole.

PCC Aggregate in Euro '000		2019		2018
Liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	63,881	-63,881	**0**	0
Best Estimate	0	30,731	**30,731**	27,720
Risk margin	0	1,379	**1,379**	1,510
Technical provisions - health (similar to non-life)	363	-363	**0**	0
Best Estimate	0	4,299	**4,299**	543
Risk margin	0	43	**43**	36
Provisions other than Technical Provisions	436	-436	**0**	0
Deferred tax liabilities	2,460	1,080	**3,540**	2,989
Debts owed to credit institutions	344	0	**344**	0
Insurance & intermediaries payables	3,496	-1,179	**2,315**	3,804
Reinsurance payables	10,643	-4,383	**6,259**	1,669
Payables (trade, not insurance)	6,797	0	**6,797**	5,862
Total liabilities	88,419	-32,712	**55,708**	44,131

Again as for Assets you will note that adjustments are carried to IFRS values in arriving at Solvency II Balance Sheet values. As such this results in a reduction in total liabilities held for the PCC of €32.71 million (€25.78 million for 2018)

The following Liabilities Tables highlight the Balance Sheet component movements of the PCC as explained above.

PCC Core in Euro '000		**2019**		2018
Liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	43,551	-43,551	**0**	0
Best Estimate	0	30,367	**30,367**	23,946
Risk margin	0	785	**785**	834
Technical provisions - health (similar to non-life)	363	-363	**0**	0
Best Estimate	0	4,299	**4,299**	543
Risk margin	0	43	**43**	36
Deferred tax liabilities	2,460	91	**2,551**	2,121
Debts owed to credit institutions	344	0	**344**	0
Insurance & intermediaries payables	1,137	-261	**877**	652
Reinsurance payables	304	-97	**206**	558
Payables (trade, not insurance)	5,481	0	**5,481**	3,461
Total liabilities	53,639	-8,686	**44,952**	32,151

Amplifon Cell Euro '000		**2019**		2018
Liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	3,103	-3,103	**0**	0
Best Estimate	0	2,412	**2,412**	2,579
Risk margin	0	84	**84**	135
Deferred tax liabilities	0	196	**196**	372
Insurance & intermediaries payables	367	0	**367**	3,019
Payables (trade, not insurance)	309	0	**309**	999
Total liabilities	3,779	-412	**3,367**	7,104

Other Cells Euro '000 **Liabilities**	**IFRS**	**2019** **Solvency II Adjustment**	**Solvency II value**	2018 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	17,226	-17,226	**0**	0
Best Estimate	0	-2,049	**-2,049**	1,194
Risk margin	0	511	**511**	542
Provisions other than technical liabilities	436	-436	**0**	0
Deferred tax liabilities	0	794	**794**	495
Insurance & intermediaries payables	1,991	-920	**1,071**	132
Reinsurance payables	10,340	-4,287	**6,053**	1,110
Payables (trade, not insurance)	1,007	1	**1,009**	1,402
Total liabilities	31,001	-23,612	**7,388**	4,875

5.2.1 Technical provisions

Technical provisions as reported under IFRS are revalued under Solvency II requirements. The best estimate technical provisions comprise of the claims provision and premium provision.

The claims provision is the discounted best estimate of cash flows relating to past claim events that occurred before the valuation date, whether reported or not. The cash flows include: future cash flows resulting from past claims events (including salvage and subrogation) and cash flows arising from allocated and unallocated expenses in respect of past claims events.

The premium provision is the discounted best estimate of cash flows relating to future claim events that have not yet occurred, but that are covered by existing and legally binding pre-inception contracts.

The following Technical Provisions extracted from the total liabilities tables highlight the Balance Sheet component movements of the PCC as explained above.

PCC Aggregate in Euro '000 **Technical provisions**	**IFRS**	**2019** **Solvency II Adjustment**	**Solvency II value**	2018 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	63,881	-63,881	**0**	0
Best Estimate	0	30,731	**30,731**	27,720
Risk margin	0	1,379	**1,379**	1,510
Technical provisions - health (similar to non-life)	363	-363	**0**	0
Best Estimate	0	4,299	**4,299**	36
Risk margin	0	43	**43**	543
	64,244	-27,791	**36,452**	29,808

PCC Core in Euro '000 **Technical provisions**	**IFRS**	**2019** **Solvency II Adjustment**	**Solvency II value**	2018 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	43,551	-43,551	**0**	0
Best Estimate	0	30,367	**30,367**	23,946
Risk margin	0	785	**785**	834
Technical provisions - health (similar to non-life)	363	-363	**0**	0
Best Estimate	0	4,299	**4,299**	543
Risk margin	0	43	**43**	36
	43,914	-8,420	**35,494**	25,358

Amplifon Cell Euro '000 **Technical provisions**	IFRS	2019 Solvency II Adjustment	Solvency II value	2018 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	3,103	-3,103	**0**	0
Best Estimate	0	2,412	**2,412**	2,579
Risk margin	0	84	**84**	135
	3,103	-607	**2,496**	2,714

Other Cells Euro '000 **Technical provisions**	IFRS	2019 Solvency II Adjustment	Solvency II value	2018 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	17,226	-17,226	**0**	0
Best Estimate	0	-2,049	**-2,049**	1,194
Risk margin	0	511	**511**	542
	17,226	-18,764	**-1,538**	1,736

A description of each step of the change in technical provisions as reported in the above tables is as follows:

Claims Provision adjustment

a) Best estimate of claims reserves have been calculated using standard actuarial techniques including: Paid & incurred Chain Ladder or Link Ratio Method, Bornhuetter Ferguson Method and Bootstrap Method.

b) Future allocated expenses are implicitly allowed for in the technical provisions. An explicit allowance has been made for unallocated loss adjustment expenses which include projected investment management expenses, administration expenses and other overhead expenses.

c) An explicit allowance has been made for Events Not in Data (ENIDs).

Premium Provision

a) Cash flows resulting from future claims events have been estimated by applying assumed loss ratios to year-end unearned premium reserves. . The loss ratio assumption is based on historic loss ratio experience arising from the claims provision analysis.

b) An allowance for ENIDs is included in the claims cash flows.

c) Expenses associated with servicing of in force policies has been made.

d) Future premium cash flows have been included.

Discounting

Both claims and premium provisions cash flows were modelled using payment patterns derived from historic experience. These were discounted by the year end 2019 yield curves as published by EIOPA.

Risk Margin

The risk margin was calculated by approximating the future SCRs to be projected in line with the projected cashflows of the best estimate technical provisions. This was then discounted using the year end 2019 yield curve and a 6% cost of capital was applied.

Reinsurers' share of SII Technical Provisions (Section 5.1 – Reinsurance recoverables)

This was calculated based on the gross less net best estimate liabilities, where the net claims liabilities have been derived based on netting down ratios (for example net to gross premiums / paid or incurred claims) and allowance for an additional reinsurance cash flows. An allowance for the reinsurers default has been included.

Valuation principles

The Technical Provisions have been calculated as the sum of a best estimate plus a risk margin in accordance with the Solvency II Directive and associated texts.

Segmentation

The technical provision analysis is performed based on the following line of business segmentation:

Motor vehicle liability insurance ("MTPL"), Other motor insurance, Fire and other damage to property insurance ("Fire"), General liability insurance, Income protection insurance, Marine, aviation and Transport, Miscellaneous financial loss and Medical expenses.

Contract boundaries

Under Solvency II, undertakings shall only recognise the obligations within the boundary of the contract. A contract boundary is defined as where the insurance or reinsurance undertaking has at a future date:

- A unilateral right to terminate the contract or a part of it;
- A unilateral right to reject premiums payable under the contract; or
- A unilateral right to amend the premiums or the benefits payable under the contract such that the premiums of the portfolio fully reflect the risk.

The assumption here is that the policy renewal date is the contract boundary since the PCC has the ability to re-price policies at each renewal date.

Below we are reproducing the Quantitative Reporting Templates (QRT) as required under regulation.

QRT Table 4 – PCC Aggregated Core and Cells in Euro '000

S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0130	C0180
Technical provisions calculated as a whole	**R0010**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	3,265	-2	1,831	1,434	99	-3,286	229	-167	3,403
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	2,313	0	173	-17	70	2,385	4	182	5,109
Net Best Estimate of Premium Provisions	**R0150**	952	-2	1,658	1,451	29	-5,671	224	-348	-1,706
Claims provisions										
Gross	**R0160**	903	132	8,344	1,143	269	15,481	4,379	976	31,627
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	666	0	537	0	141	11,475	772	887	14,477
Net Best Estimate of Claims Provisions	**R0250**	237	132	7,807	1,143	128	4,006	3,606	89	17,150
Total Best estimate - gross	**R0260**	4,168	131	10,175	2,577	368	12,195	4,607	809	35,030
Total Best estimate - net	**R0270**	1,190	131	9,465	2,594	157	-1,665	3,831	-259	15,444
Risk margin	**R0280**	38	5	522	87	5	565	192	7	1,422
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									
Technical provisions - total										
Technical provisions - total	**R0320**	4,206	136	10,697	2,665	373	12,760	4,799	816	36,452
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	2,979	0	710	-17	210	13,860	777	1,068	19,586
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	1,228	136	9,988	2,681	163	-1,100	4,023	-252	16,866

S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Accident year [AY]

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

	Year		1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
2010	R0160	401	122	13	0	-4	9	0	-3	4	0		R0160	0	542
2011	R0170	537	156	27	13	25	-24	0	2				R0170		735
2012	R0180	622	243	36	55	-11	3	12	-1				R0180	-1	960
2013	R0190	1,103	348	424	1,222	1,227	20,718	82					R0190	82	25,124
2014	R0200	1,933	841	205	154	30	22						R0200	22	3,186
2015	R0210	2,890	875	214	67	42							R0210	42	4,088
2016	R0220	3,601	1,272	326	429								R0220	429	5,629
2017	R0230	3,841	1,118	216									R0230	216	5,175
2018	R0240	3,337	1,779										R0240	1,779	5,115
2019	R0250	6,848											R0250	6,848	6,848
												Total	R0260	9,418	57,401

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year		1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											27	R0100	23
2010	R0160	188	49	12	6	6	3	1	11	0	0		R0160	0
2011	R0170	271	76	34	3	2	1	2	0	0			R0170	0
2012	R0180	515	126	44	22	17	14	14	14				R0180	13
2013	R0190	288	86	48	27	24,251	83	21					R0190	20
2014	R0200	752	92	14	186	52	17						R0200	0
2015	R0210	351	125	138	89	40							R0210	27
2016	R0220	444	1,547	288	196								R0220	15
2017	R0230	1,396	622	311									R0230	26
2018	R0240	2,186	1,240										R0240	97
2019	R0250	296											R0250	3,699
												Total	R0260	3,919

5.2.2 Other liabilities

Section 5.2 above provides the reporting for the PCC's total liabilities in aggregate and by component. The following section reports on the movements for other liabilities. Liabilities arising from technical provisions have been reported on under Section 5.2.1 of this report.

PCC Aggregate in Euro '000	2019			2018
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Deferred tax liabilities	2,460	1,080	**3,540**	2,989
Provisions other than Technical Provisions	436	-436	**0**	0
Insurance & intermediaries payables	3,496	-1,179	**2,315**	3,804
Reinsurance payables	10,643	-4,383	**6,259**	1,669
Payables (trade, not insurance)	6,797	0	**6,797**	5,862
	23,832	-4,919	**18,912**	14,323

PCC Core in Euro '000	2019			2018
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Deferred tax liabilities	2,460	91	**2,551**	2,121
Insurance & intermediaries payables	1,137	-262	**877**	652
Reinsurance payables	304	-97	**206**	558
Payables (trade, not insurance)	5,481	0	**5,481**	3,461
	9,382	-267	**9,115**	6,793

Amplifon Cell Euro '000	2019			2018
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Deferred tax liabilities	0	196	**196**	372
	0	196	**196**	372

Other Cells Euro '000	2019			2018
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Insurance & intermediaries payables	1,991	-920	**1,071**	132
	1,991	-920	**1,071**	132

Deferred tax liabilities

Atlas recognises deferred tax liabilities under IFRS using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The transition of IFRS balance sheet values to those of Solvency II as reported do cause balance sheet movements adjusting the net asset value reported in both the Group's Solvency II balance sheet and that of the PCC. Such movement gives rise to the recognition of a deferred tax asset/liability adjustment for such movements in the Solvency II Balance Sheet.

Insurance and intermediaries payables and reinsurance payables

These balances under Solvency II are considered to be future cash flows and therefore reclassified to technical provisions in the calculation of "best estimate" values for such provisions. IFRS valuation considers fair value for the amounts receivable.

5.3 Alternative methods for valuation

Atlas does not use any alternative methods for the calculation of the arising liabilities.

Below we are reproducing the Quantitative Reporting Templates (QRT) as required under regulation.

QRT Table 6 – PCC Aggregated Core and Cells in Euro ‘000

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Deferred tax assets	**R0040**	179
Property, plant & equipment held for own use	**R0060**	8,641
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	51,141
Property (other than for own use)	**R0080**	11,221
Holdings in related undertakings, including participations	**R0090**	1,127
Equities	**R0100**	12,324
Equities - listed	**R0110**	9,689
Equities - unlisted	**R0120**	2,635
Bonds	**R0130**	20,841
Government Bonds	**R0140**	3,609
Corporate Bonds	**R0150**	17,233
Collective Investments Undertakings	**R0180**	5,258
Deposits other than cash equivalents	**R0200**	371
Loans and mortgages	**R0230**	778
Other loans and mortgages	**R0260**	778
Reinsurance recoverables from:	**R0270**	19,586
Non-life and health similar to non-life	**R0280**	19,586
Non-life excluding health	**R0290**	16,608
Health similar to non-life	**R0300**	2,979
Deposits to cedants	**R0350**	125
Insurance and intermediaries receivables	**R0360**	4,786
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	4,304
Cash and cash equivalents	**R0410**	14,171
Total assets	**R0500**	103,712

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	36,452
Technical provisions – non-life (excluding health)	**R0520**	32,110
Best Estimate	**R0540**	30,731
Risk margin	**R0550**	1,379
Technical provisions - health (similar to non-life)	**R0560**	4,342
Best Estimate	**R0580**	4,299
Risk margin	**R0590**	43
Deferred tax liabilities	**R0780**	3,540
Debts owed to credit institutions	**R0800**	344
Insurance & intermediaries payables	**R0820**	2,315
Reinsurance payables	**R0830**	6,259
Payables (trade, not insurance)	**R0840**	6,797
Total liabilities	**R0900**	55,708
Excess of assets over liabilities	**R1000**	48,004

6. Capital management

The value of own funds reduces under Solvency II valuations due to the changes in values for assets and liabilities. The differences between the financial statements balance sheet and the solvency II balance sheet have been reported under Section 5 of this report.

In order to maintain or adjust the capital structure, the PCC may issue new shares or capitalise contributions received from its shareholders. The PCC applies the same policy for its cellular shareholders.

The PCC is required to hold regulatory capital for its general insurance business in compliance with the rules issued by the MFSA. The minimum capital requirement must be maintained at all times throughout the year. Atlas monitors its capital level, and that of the cells, on a regular basis at least once a month through detailed reports compiled from management accounts. Such reports are circulated to the Board and senior management. Any transactions that may potentially affect the PCC's solvency position are immediately reported to the directors for resolution prior to notifying the MFSA.

Covid-19 Pandemic

As part of its annual ORSA exercise, Atlas has tested resilience of its capital adequacy under various stress scenarios. As indicated under Section D, the most significant impact of COVID-19 on own funds is likely to be on the asset side as a result of the impact on investment assets. On the other hand, the impact on the SCR is not likely to be significant, as previous calculations of the SCR for stressed projections have shown offsetting results for reduced business volumes and reduced asset exposures. This means that the main driver impacting the solvency cover is the possible reduction in own funds mentioned earlier and above.

With a cover of 283% resulting in surplus eligible own funds of €22.0M over the SCR for the core, Atlas considers that it is sufficiently capitalized to withstand the shock on its investment portfolio, and still retain an adequate solvency cover, and on this basis does not consider the going concern basis to be uncertain. Atlas is committed to monitor its capital adequacy positions on an ongoing basis. At the same time, the Directors acknowledge that the global and local economic environment remain uncertain.

The Directors' assessment has primarily focused on the Core's business in light of the nature of the cells' operations and assets, which are expected to be less affected.

6.1 Own Funds

A major component of the Own Funds of the PCC is that of Tier 1 Capital, which include:

a) **Paid-in Ordinary Share Capital** of the highest quality Own Funds which can be relied on to absorb losses on a going-concern basis. Such shares are issued directly by Atlas Holdings Limited and the PCC with the prior approval of its shareholder and, where applicable, of the Atlas Core and cell shareholders, and ultimately the approval of the MFSA.
b) **Reconciliation Reserve** which is the resultant variance in Own Funds between the Solvency II and the IFRS Balance Sheet with an allowance for Deferred Tax Assets/ Liability movements is also to be factored in the PCC's (where applicable) Own Funds total as Tier 1 Capital.
c) **Other Reserves** which include reserves in equity being the resultant movement in property revaluation under IFRS as per the Group's Audited Annual Financial Statements.
d) **Retained Earnings** which include accumulated profit reserves after the payment of dividends as confirmed through the Group's and the PCC's Audited Annual Financial Statements.
e) **Capital Contributions** which allow for shareholders to top up capital with reserves. Such contributions do not give rise to any increased rights the shareholder may have arising from issued shares.
f) **Functional Currency Exchange Reserve** which is the resulting difference between functional and reporting currencies arising from the cellular operations. Such reserve is also audited on an annual basis by the external auditors.

As per the Commission Delegated Regulation 2015/35 on Solvency II, Atlas' board may in future consider the use of Share Premium accounts and further Capital Contributions as a form of Own Funds eligible as Tier 1 Capital. Under regulation the PCC is obliged to seek regulatory approval for such instruments.

Another component of the Own Funds of the PCC is that of ancillary own funds qualifying as Tier 2 Capital. Preferred instruments by Atlas are in the form of unpaid ordinary share capital. Under special circumstances the Board will also consider Letters of Credit. It is the responsibility of the Board to review and ensure the substance and ultimate financial strength underlying the capital instruments which qualify as ancillary own funds under Tier 2 capital.

The aggregate own funds for all components of the PCC in matching the Company's Solvency Capital Requirement total €44,106,187 as on 31 December 2019 (€38,202,253 as on 31 December 2018).

This is inclusive of available unpaid capital for ancillary own funds of €1.84 million, and eligible under Solvency II regulation up to €0.95 million in matching the Minimum Capital Requirement.

The Own Funds applied in matching the Solvency Capital Requirements are detailed in the below tables for the PCC on an aggregate basis.

PCC Aggregate in Euro '000		**2019**		2018
Own funds	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Paid up ordinary shares	20,507	0	**20,507**	20,507
Capital Contribution	556	0	**556**	500
Other reserves	3,884	-3,884	**0**	0
Retained earnings	22,069	-22,069	**0**	0
Reconciliation reserve	0	22,097	**22,097**	15,807
Ancillary own funds - issued capital unpaid	0	946	**946**	1,388
	47,016	-2,910	**44,106**	38,202

On 20 January 2020, the Board approved the payment of a net interim dividend of €1,000,000 to the non-cellular shareholders. The directors do not propose the payment of a final dividend to the non-cellular shareholder in view of the COVID-19 pandemic and also in line with the recent EIOPA statement on the distribution of dividends.

Under Solvency II regulation certain components for equity recognised under IFRS are reclassified to a reconciliation reserve, which reserve also accounts for the movements carried out to the net asset value in the Solvency II balance sheet. Such movement is considered to be an unrealised gain/loss in valuation and on that basis recognises this movement net of deferred taxation. Clearly this is a dynamic component for Own Funds in that the value is the product of Balance Sheet Net Asset Value movements from IFRS reporting that of Solvency II.

All the Core's own funds are classified under Solvency II as Tier 1 capital since they are considered to be of high quality. In the case of two Cells an element of unpaid capital totalling €1.84 million is also considered for the purposes of Solvency II own funds, but is recognised as Tier 2 capital and classified as ancillary own funds. Such capital undergoes ongoing due process for MFSA authorisation for its applicability.

Application and review of own funds.

It is also the responsibility of the Board of Directors of the PCC to monitor on a continuous basis the adequacy of Eligible Own funds according to the medium-term capital management plan and it is its responsibility to ensure before issuance of any own fund items that it can satisfy the criteria for the appropriate tier on a continuous basis, where this is applicable.

The Group Chief Financial Officer liaises with the Company Secretary, where applicable, to support backing calculations showing the effect of any proposed increase in paid/unpaid share capital for the PCC.

This procedure is to be also followed by the Group Chief Financial Officer in the event that any Regulatory Solvency shortfalls are identified to be matched by financial instruments other than capital instruments. An example of this would be bankers' guarantees issued by shareholders.

Medium-Term Capital Management Plan

The PCC adopts a medium term capital management plan which is consistently reflected in other risk management policies and procedures set by the Board.

This plan considers the various disciplines and parameters which govern the underlying asset exposures to the Core's balance sheet and Cells within the Company. Priority is given to the loss absorbency aspects of these assets. They are driven by:

- The Group's policy on Risk Management and the risk register arising therefrom;
- The Group's Investment Policy; and
- The Group's Asset Liability Management Policy and set investment parameters arising therefrom which include consideration for:
    - Counterparty default risk;
    - Currency risk;
    - Market risk;
    - Liquidity risk;
    - Concentration risk

Below we are reproducing the Quantitative Reporting Templates (QRT) as required under regulation.

QRT Table 8 – Atlas PCC Aggregated Core and Cells in Euro '000

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 2
		C0010	C0020	C0040
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35				
Ordinary share capital (gross of own shares)	R0010	20,507	20,507	
Reconciliation reserve	R0130	22,097	22,097	
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	556	556	
Total basic own funds after deductions	R0290	43,160	43,160	
Ancillary own funds				
Unpaid and uncalled ordinary share capital callable on demand	R0300	1,844		1,844
Total ancillary own funds	R0400	1,844		1,844
Available and eligible own funds				
Total available own funds to meet the SCR	R0500	45,004	43,160	1,844
Total available own funds to meet the MCR	R0510	43,160	43,160	
Total eligible own funds to meet the SCR	R0540	44,106	43,160	946
Total eligible own funds to meet the MCR	R0550	43,160	43,160	
SCR	R0580	22,140		
MCR	R0600	5,535		
Ratio of Eligible own funds to SCR	R0620	199.22%		
Ratio of Eligible own funds to MCR	R0640	779.78%		

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	48,004	
Foreseeable dividends, distributions and charges	R0720	1,000	
Other basic own fund items	R0730	21,063	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	3,844	
Reconciliation reserve	R0760	22,097	

6.2 Solvency capital requirement and minimum capital requirement

The PCC does not make use of internal models, partial internal models or undertaking specific parameters in calculating its solvency capital requirement (SCR). The Company calculates its respective nSCR's and ultimate aggregated SCR utilising the standard formula.

Individual cells are not obliged to hold the absolute minimum capital requirement (AMCR of €3.70 million) as this is an obligation imposed on the PCC's Core, nor is an individual cell obliged under regulation to match its own nSCR with its own funds for as long as that Cell has financial recourse to the Core's own funds. Under the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, the PCC may impose non-recourse for cells authorised to carry on Captive insurance business and/or Reinsurance business. Under such circumstances these cells would have to match their own nSCR with its own funds. The PCC has the Amplifon Cell which is authorised to carry on the business of reinsurance where non-recourse is in place and on that basis matches its own funds to its nSCR with a solvency ratio of 161%.

The following table illustrates in thousand Euro the various risk components making up the SCR requirements for both the PCC, its Core, the Amplifon Cell and all Other Cells.

2019

Solvency Capital Requirement	Core	Amplifon	Other Cells	Aggregated PCC
Market risk	11,148	126	2,227	**14,398**
Counterparty default risk	2,841	308	5,006	**8,698**
Health underwriting risk	709	-	0	**757**
Non-life underwriting risk	5,547	884	3,688	**10,792**
Diversification	1,228	(205)	754	**(9,289)**
Operational risk	(5,044)	72	(1,880)	**2,055**
LACDT	(4,404)	-	(867)	**(5,271)**
Total SCR	**12,026**	**1,185**	**8,928**	**22,140**

2018

Solvency Capital Requirement	Core	Amplifon	Other Cells	Aggregated PCC
Market risk	8,774	297	1,659	**11,373**
Counterparty default risk	3,013	1,113	4,857	**9,520**
Health underwriting risk	603	-	-	**640**
Non-life underwriting risk	5,308	1,077	4,214	**11,233**
Diversification	786	77	443	**(8,720)**
Operational risk	(4,635)	(484)	(1,752)	**1,306**
LACDT	(3,929)	(510)	(1,916)	**(6,355)**
Total SCR	**9,921**	**1,570**	**7,505**	**18,996**

Authorised insurance undertakings are required to also report on the minimum capital requirement (MCR) which is required to be matched at all times by own funds. This regulation allows exception for cells incorporated within a PCC as this is covered by the PCC as a whole.

The PCC's MCR calculation results in a requirement of €5.34 million. The own funds reported for Solvency II comfortably exceed the above MCR requirements.

Below we are reproducing the Quantitative Reporting Templates (QRT) as required under regulation.

QRT Table 11 – PCC Aggregated Core and Cells in Euro '000

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

		Gross solvency capital requirement
		C0110
Market risk	**R0010**	14,398
Counterparty default risk	**R0020**	8,698
Health underwriting risk	**R0040**	757
Non-life underwriting risk	**R0050**	10,792
Diversification	**R0060**	-9,289
Basic Solvency Capital Requirement	**R0100**	25,356

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	2,055
Loss-absorbing capacity of deferred taxes	**R0150**	-5,271
Solvency capital requirement excluding capital add-on	**R0200**	22,140
Solvency capital requirement	**R0220**	22,140
Other information on SCR		
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	12,026
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	10,113

		Yes/No
Approach to tax rate		**C0109**
Approach based on average tax rate	**R0590**	2 - No

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		**C0130**
LAC DT	**R0640**	-5,271
LAC DT justified by reversion of deferred tax liabilities	**R0650**	-525
LAC DT justified by carry back, future years	**R0680**	-4,746

QRT Table 12 – PCC Aggregated Core and Cells in Euro '000

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	4,055

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	1,190	2,687
Income protection insurance and proportional reinsurance	**R0030**	131	606
Motor vehicle liability insurance and proportional reinsurance	**R0050**	9,465	6,418
Other motor insurance and proportional reinsurance	**R0060**	2,594	5,693
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	157	638
Fire and other damage to property insurance and proportional reinsurance	**R0080**		12,555
General liability insurance and proportional reinsurance	**R0090**	3,831	2,522
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**		21

Overall MCR calculation

		C0070
Linear MCR	**R0300**	4,055
SCR	**R0310**	22,140
MCR cap	**R0320**	9,963
MCR floor	**R0330**	5,535
Combined MCR	**R0340**	5,535
Absolute floor of the MCR	**R0350**	3,700
		C0070
Minimum Capital Requirement	**R0400**	5,535

6.3 Use of the duration-based equity risk sub-module in the calculation of Solvency Capital Requirement

The PCC did not use the duration-based equity risk sub module set out in Article 304 of the Directive for the calculation of its Solvency Capital Requirement.

6.4 Differences between the Standard Model and any Internal Model used

The PCC does not make use of the possibility allowed under the Solvency II Directive to apply internal or partial internal models and on this basis has nothing to report.

6.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

As on 31 December 2019 the PCC reports a Core Solvency Ratio of 283% acting as a strong base for a PCC aggregated Solvency Ratio of 199% for Solvency II Own Funds over the Solvency Capital Requirement. In calculating this ratio all surplus own Funds arising from cells is discarded. The surplus Own Funds that have been discarded in arriving to full compliance of this rule for the Cells totals €3,843,631.

As such there is no non-compliance issue to report.

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